President misusing this power than I was afraid of his misusing the embargo power or the powers given in respect to the foods in this country and other matters of that kind. We have a right to assume that the President of the United States will do nothing to wreck or destroy this Government of any of its functions.

For these reasons, which I have briefly stated, I can not, for the life of me, see any lurking danger that pertains to this bill.

But it is said—and I understand some of the opponents of this bill now have come to the conclusion—that the only things that ought to be left out are the Interstate Commerce Commission and the Federal Trade Commission. There are a good many of the branches of the Government that are not in the executive departments, and yet it is absolutely necessary to utilize them and function them in aid of the war. Take the Shipping Board, that has charge of all our shipping construction and has charge of the operation of our ships. Take the Federal Trade Commission, that has a good deal to do with investigating the question of prices, which is committed to the President under the food-control law. That commission can furnish him much valuable data and information on the subject.

With respect to the Interstate Commerce Commission, Mr. President, by our railroad legislation we have conferred power upon the President to regulate and control the railroads. I want to call the attention of the Senate to one provision of the law. I read from the law that we passed at this session of Congress, the railroad law:

That during the period of Federal control, whenever in his opinion the public interest requires, the President may initiate rates, fares, charges, classifications, regulations, and practices by filing the same with the Interstate Commerce Commission.

And we provided that the charges, fares, classifications, and so forth, shall not be suspended by the commission pending its final determination.

When you have given the President of the United States this plenary power to initiate and regulate rates, why should he, who is not a railroad man and not an expert in these matters, be debarred from utilizing the Interstate Commerce Commission and the force of that commission?

Mr. WADSWORTH. Mr. President, does the Senator say he is debarred?

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from New York?

Mr. NELSON. I do not say he is debarred, but I say those who insist on that amendment contend that he is. I refer to those who insist that the Interstate Commerce Commission shall be omitted from this bill.

Mr. WADSWORTH. Does the Senator say that if that amendment is adopted the President will be debarred from consulting the Interstate Commerce Commission?

Mr. NELSON. Well, he could not utilize any of it, if that is the purpose of the amendment.

Mr. SMITH of Georgia. Not at all, Mr. President.

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Georgia?

Mr. NELSON. The purpose of the amendment is to cut him off from utilizing it in carrying out the provisions of this bill.

Mr. SMITH of Georgia. The purpose of the amendment is to preserve the Interstate Commerce Commission.

Mr. NELSON. Let me ask the Senator what there is destructive of the Interstate Commerce Commission in allowing the President to utilize it? Will the Senator tell me where the destruction will be?

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. SMITH of Georgia. I will answer the Senator. This bill gives to the President the power to transfer every function of the Interstate Commerce Commission to the Director of Railroads, which wipes it out.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. HARDING. I offer an amendment to the pending bill, which I ask to have printed and lie on the table.

The PRESIDING OFFICER. That action will be taken.

Mr. WADSWORTH. I desire to offer an amendment to the pending bill, which I ask to have printed and lie on the table.

The PRESIDING OFFICER. It will be so ordered. All those who favor the motion to take a recess until 12 o'clock to-morrow will say "aye." [A pause.] Those opposed will say "no." [A pause.] The motion is agreed to, and the Senate stands in recess until to-morrow at 12 o'clock.

Thereupon (at 5 o'clock p. m.) the Senate took a recess until to morrow, Thursday, April 25, 1918, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

WEDNESDAY, *April 24, 1918.*

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

God of the ages, our God, Architect of the universe and Father of all souls, take away from us all selfish and petty ambitions, and inspire us with high and holy purposes, that we may serve Thee, in a loving and willing service to our fellow men here, now, and always, in the spirit of Him who gave Himself a supreme sacrifice for the world. Amen.

The Journal of the proceedings of yesterday was read and approved.

ACCOUNTS AND EXPENDITURES OF THE POST OFFICE DEPARTMENT.

Mr. BELL. Mr. Speaker, I am directed by the Committee on the Post Office and Post Roads to move a change of reference of House resolution 307. This resolution has been referred, we think erroneously, to the Committee on Expenditures in the Post Office Department. We believe that it should be referred to the Committee on the Post Office and Post Roads.

The SPEAKER. The gentleman from Georgia asks unanimous consent——

Mr. BELL. I move——

The SPEAKER. The gentleman does not have to move if he can get unanimous consent. The gentleman asks unanimous consent to rerefer House resolution 307 to the Committee on the Post Office and Post Roads. Is there objection?

Mr. STAFFORD. Reserving the right to object—I see the gentleman from Colorado [Mr. KEATING] is on his feet, and I will yield to him.

Mr. KEATING. Reserving the right to object, I merely want to say that this resolution has been referred to the Committee on Expenditures in the Post Office Department, and that committee has devoted two days to hearings on the subject and is prepared to proceed with those hearings. The committee, however, does not desire to take charge of the resolution unless it is satisfactory to the House, and we are perfectly willing to submit the whole question to the House, believing that the Speaker did not make a mistake when he referred the resolution to our committee. Believing that, I will object to the unanimous consent.

The SPEAKER. The gentleman from Colorado objects, and the gentleman from Georgia moves——

Mr. MAPES. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MAPES. Is a motion of this kind in order on Calendar Wednesday?

The SPEAKER. The Chair thinks so—motions to refer bills——

Mr. STAFFORD. Mr. Speaker, will the Chair indulge me just a moment on the question of order, whether a motion to rerefer is in order on Calendar Wednesday?

The SPEAKER. If there is any dispute about it, we will take it up in the morning. The Chair wants to preserve Calendar Wednesday just as much as anybody else does.

NATIONAL BANKS.

The SPEAKER. The unfinished business to-day is H. R. 11020, to amend certain sections of the national banking act, a bill reported from the Committee on Banking and Currency.

Mr. PHELAN. Mr. Speaker, when we adjourned on the last Calendar Wednesday there was an amendment pending, which I will ask the Clerk to report.

The SPEAKER. The Clerk will report the amendment.

The Clerk read as follows:

Amendment by Mr. ALMON: Page 5, line 15, after the word "building," strike out the following: "For its accommodation in the transaction of its business."

Mr. PHELAN. I ask unanimous consent that debate on this section and all amendments thereto be now concluded.

Mr. WALSH. I object to that. It has been three weeks since we considered this measure, and it has passed out of the minds of a great many Members.

Mr. PHELAN. I move that all debate on this section and all amendments thereto be now closed.

Mr. WALSH. Mr. Speaker, I make the point of order that there is no quorum present.

Mr. PHELAN. I withdraw my motion, Mr. Speaker.

The SPEAKER. What does the gentleman from Massachusetts [Mr. WALSH] desire to do about it?

Mr. PHELAN. Mr. Speaker, we discussed this fully. It is not an amendment of any great consequence. The bill was

discussed at some length when we had it up on the last Calendar Wednesday, and it is the desire of both the Republican and the Democratic members of the Banking and Currency Committee to dispose of this bill. There are other important bills coming up.

Mr. WALSH. Oh, yes; of course it is the desire of the committee to dispose of all of its bills.

Mr. GARNER. Mr. Speaker, will the Committee on Banking and Currency occupy the entire day?

Mr. PHELAN. Undoubtedly we will take the entire day. If anybody wants to talk on this amendment I am certainly willing to grant a reasonable time, but I am afraid of wasting time, that is all.

Mr. WALSH. We are wasting time by taking this day for the Banking and Currency Committee. I will withdraw my point of order.

Mr. PHELAN. I renew my request for unanimous consent.

Mr. WALSH. And I object, Mr. Speaker.

Mr. PHELAN. Does anybody desire to debate this?

Mr. WALSH. Mr. Speaker, it has been three weeks since we considered this measure, and a great many Members were not here when the House adjourned on the last Calendar Wednesday.

We are now asked to vote upon an amendment which is not familiar to a great many Members, and I think it is only fair that the gentleman having this measure in charge should briefly refresh the recollection of Members as to what this amendment is and what it provides. After that is done, let us have a vote on it.

Mr. PHELAN. I shall be glad to do that. Will the gentleman object to unanimous consent that we have 10 minutes on the amendment, and let the gentleman from Alabama [Mr. ALMON], who offered the amendment, have five minutes?

Mr. WALSH. I have no objection at all to that, but the House should know what it is asked to vote upon.

Mr. PHELAN. I ask unanimous consent that all debate on this section and all amendments thereto be closed in 10 minutes, 5 minutes to be given to the gentleman from Alabama [Mr. ALMON], a member of the committee.

The SPEAKER. The gentleman from Massachusetts [Mr. PHELAN] asks unanimous consent that there be 10 minutes' debate on this section and all amendments, at the end of which time it shall be voted on, and that five minutes of the time be given to the gentleman from Alabama [Mr. ALMON]. Is there objection?

Mr. GARNER. That would not prohibit the offering of other amendments to this section, would it?

Mr. WALSH. No; but it would stop the debate.

Mr. GARNER. I know it would stop the debate.

The SPEAKER. Has the gentleman from Texas an amendment he wants to offer?

Mr. GARNER. No; but I did not want to preclude the opportunity for offering amendments.

The SPEAKER. The Chair will state that at the end of 10 minutes, if any gentleman has an amendment to offer, he can offer it and have it voted on without debate. Evidently this cuts off any discussion of other amendments. Is there objection?

There was no objection.

The SPEAKER. The gentleman from Alabama [Mr. ALMON] is recognized for five minutes.

Mr. WALDOW. Mr. Speaker, can we have the amendment read?

The SPEAKER. Without objection, the Clerk will report the amendment.

There was no objection.

The Clerk read as follows:

Amendment by Mr. ALMON: Page 5, line 15, strike out the words "for its accommodation in the transaction of its business."

Mr. ALMON. Mr. Speaker, I offer that amendment to remove any doubt about what would be a proper construction of this section. It may be a wise provision to limit national banks in erecting buildings not to exceed the amount of the paid-up capital stock. However, I think that a national bank in the construction of a bank building should not be confined to the construction of the building to be used solely for banking purposes. I believe they should be authorized to erect an office building to be used in part for banking purposes and other parts to be used in the ordinary way of an office building.

This bill reads as reported by the committee:

But no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years; nor shall any such association hereafter invest in a site and bank building or bank and office building for its accommodation in the transaction of its business, an amount in excess of its paid-in and unimpaired capital stock.

I understand that it is the contention of some members of the Banking and Currency Committee that under that provision in the bill the national banks would be authorized to erect an office building to be used a part for banking purposes and rent the other part. However, there is some doubt, and I see no objection to striking out the words "for its accommodation in the transaction of its business."

Mr. PHELAN. Mr. Speaker, when the gentleman from Alabama offered his amendment I made no objection to it. I think it is clear whether the words are in or out. I originally agreed to accept the amendment, but some of the committee members thought it was clearer with the words in than with them out, and so I had to withdraw my acceptance of the amendment. I think it is clear and that there is no need of the words going out.

The SPEAKER. The question is on agreeing to the amendment.

The question was taken, and the amendment was agreed to.

Mr. PHELAN. Mr. Speaker, in accordance with the agreement and understanding with the ranking Republican member of the committee I now move the previous question on the bill and amendments to final passage.

The SPEAKER. The gentleman from Massachusetts moves the previous question on the bill and amendments to final passage.

The previous question was ordered.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

Mr. PHELAN. Mr. Speaker, I ask unanimous consent that the title be amended to conform with the text.

The SPEAKER. The gentleman asks unanimous consent that the title be amended in accordance with the amendment, which the Clerk will read:

The Clerk read as follows:

Strike out in the title the words "fifty-two hundred" and the words "and fifty-two hundred and thirty-nine" and insert after the words "fifty-two hundred and twenty-two" the word "and."

There was no objection.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that the Senate had agreed to the amendment of the House of Representatives to the bill (S. 3476) to authorize the extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the buildings occupied by the field medical supply depot of the Army.

ENROLLED BILL PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. LAZARO, from the Committee on Enrolled Bills, reported that on April 23, 1918, they had presented to the President of the United States for his approval the following bill:

H. R. 10783. An act to authorize the Secretary of the Navy to increase the facilities for the proof and test of ordnance material, and for other purposes.

ENROLLED BILL SIGNED.

The SPEAKER announced his signature to enrolled bill of the following title:

S. 3476. An act to authorize the extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the buildings occupied by the field medical supply depot of the Army.

AUTHORIZING NATIONAL BANKS TO CONTRIBUTE TO THE RED CROSS.

Mr. PHELAN. Mr. Speaker, I call up the bill H. R. 9457, authorizing national banks to make contributions to the American National Red Cross.

The Clerk read the bill, as follows:

Be it enacted, etc., That during the continuance of the state of war now existing it shall be lawful for any national banking association to contribute to the American National Red Cross, out of any net profits otherwise available under law for the declaration of dividends, such sum or sums as the directors of said association shall deem expedient. Each association shall report to the Comptroller of the Currency within 10 days after the making of any such contribution the amount of such contribution and the amount of net earnings in excess of such contribution. Such report shall be attested by the president or cashier of the association in like manner as the report of the declaration of any dividend.

SEC. 2. That all sums so contributed shall be utilized by the American National Red Cross in furnishing volunteer aid to the sick and wounded of the combatant armies, the voluntary relief of the Army and Navy of the United States, and the relief and mitigation of the suffering caused by the war to the people of the United States and their allied nations.

Mr. WALSH. Mr. Speaker, I make the point that no quorum is present. This is a very important measure and ought to have the earnest consideration of every Member of the House.

The SPEAKER. The gentleman from Massachusetts makes the point of order that no quorum is present, and evidently there is not.

Mr. KITCHIN. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The Doorkeeper was ordered to close the doors and the Sergeant at Arms to notify the absentees.

The Clerk called the roll, and the following Members failed to answer to their names:

Austin	Flynn	Kennedy, R. I.	Sanders, N. Y.
Barnhart	Fordney	Kettner	Saunders, Va.
Beshlin	Foster	King	Scott, Iowa
Blackmon	Gallagher	Kreider	Scott, Pa.
Brodbeck	Gallivan	LaGuardia	Scully
Buchanan	Glass	Lunn	Shackleford
Butler	Godwin, N. C.	McClintic	Sherley
Caldwell	Graham, Pa.	McCormick	Shouse
Carew	Gray, Ala.	McCulloch	Slemp
Chandler, N. Y.	Gray, N. J.	McLaughlin, Pa.	Smith, Idaho
Clark, Pa.	Gregg	Mann	Smith, Thomas F.
Cooper, Ohio	Griffin	Martin	Snell
Costello	Hamill, Pa.	Mondell	Stephens, Nebr.
Curry, Cal.	Hamilton, N. Y.	Mott	Strong
Dale, N. Y.	Harrison, Va.	Mudd	Sullivan
Davis	Haugen	Nichols, Mich.	Sumners
Denison	Heintz	Norton	Switzer
Dent	Hicks	Oliver, N. Y.	Talbott
Dewalt	Hood	Porter	Templeton
Dies	Howard	Powers	Thompson
Dooling	Jacoway	Price	Tinkham
Drukker	James	Rankin	Venable
Dupré	Johnson, S. Dak.	Riordan	Voigt
Dyer	Jones	Roberts	Watson, Pa.
Eagan	Kahn	Rodenberg	Winslow
Edmonds	Kearns	Rowland	Wright
Estopinal	Kelley, Mich.	Rucker	
Fairchild, G. W.	Kennedy, Iowa	Sanders, La.	

The SPEAKER. Three hundred and twenty Members have answered to their names, a quorum.

Mr. KITCHIN. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The doors were opened.

Mr. PHELAN. Mr. Speaker, in view of the fact that there will probably be a very long discussion on the bill I have just called up, I desire to withdraw it, and will call up the bill H. R. 11283.

Mr. MADDEN. Mr. Speaker, what is to become of the bill that the gentleman is going to withdraw? I want to know whether it is going off the calendar or will be called up later in the afternoon?

The SPEAKER. It does not go off the calendar. It remains on the calendar.

Mr. MADDEN. Then I want an understanding that it is not going to be called up at some time during the day after everybody goes away from here.

The SPEAKER. The trouble about that is that the gentleman has the right to withdraw the bill without asking the consent of anyone up to the time that it is voted on.

Mr. MADDEN. It is only fair——

Mr. PHELAN. Mr. Speaker, I shall answer the gentleman, and to satisfy the gentleman's mind I will say that I shall not call up the bill to-day without giving full notice to that side of the House; and at the present time, unless the committee desires otherwise, my opinion is that I shall not call it up. I shall act, however, in accordance with what the committee desires, but I shall not do anything without notifying that side of the House.

Mr. MILLER of Minnesota. Mr. Speaker, there are many on this side who are strongly in favor of the passage of this bill and who want to see it pass. I have not any knowledge how many there are, or how many there are against it, but I know that I have heard in the last 15 minutes a large number of men on this side say that they are disappointed at its being withdrawn.

Mr. MADDEN. Mr. Speaker, it is a bill providing that somebody may take my money and some other person's money and give it to somebody else.

AMENDING CERTAIN SECTIONS OF FEDERAL RESERVE ACT AND REVISED STATUTES.

Mr. PHELAN. The committee desires to get something disposed of to-day, and I think the disposition of the committee will be not to call up that bill. If that is their disposition, I shall not do it. I now call up the bill H. R. 11283, to amend and reenact sections 4, 11, 16, 19, and 22 of the act approved December 23, 1913, and known as the Federal reserve act, and sections 5208 and 5209, Revised Statutes, which I send to the desk and ask to have read.

The SPEAKER. The gentleman from Massachusetts calls up a bill, which the Clerk will report.

The Clerk read as follows:

Be it enacted, etc., That section 4 of the act approved December 23, 1913, known as the Federal reserve act, be amended and reenacted by striking out that part of such section which reads as follows:

"Directors of class A and class B shall be chosen in the following manner:

"The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district, and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

"At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

"Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within 15 days after its completion, be furnished by the chairman to each elector.

"Every director shall, within 15 days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate," and by substituting therefor the following:

"Directors of class A and class B shall be chosen in the following manner:

"The Federal Reserve Board shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each group shall consist as nearly as may be of banks of similar capitalization. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within 15 days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of class A and class B directors.

"Within 15 days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of Class A and Class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each such officer shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate." No officer or director of a member bank shall be eligible to serve as a Class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

Any person who is an officer or director of more than one member bank shall not be eligible for nomination as a Class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director.

SEC. 2. That section 11 (k) of the Federal reserve act be amended and reenacted to read as follows:

"(k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this act.

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers, but nothing in this act shall be construed as authorizing the State authorities to examine the books, records, and assets of the national bank which are not held in trust under authority of this subsection.

"No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

"In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

"Whenever the laws of a State require corporations acting in a fiduciary capacity, to deposit securities with the State authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits and securities so deposited shall be held for the protection of private or court trusts, as provided by the State law.

"National banks in such cases shall not be required to execute the bond usually required of individuals if State corporations under similar circumstances are exempt from this requirement.

"National banks shall have power to execute such bond when so required by the laws of the State.

"In any case in which the laws of a State require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice president, cashier, or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

"It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than $5,000 or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

"In passing upon applications for permission to exercise the powers enumerated in this subsection the Federal Reserve Board may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly: *Provided*, That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers."

SEC. 3. That the ninth paragraph of section 16 of the Federal reserve act, as amended by the acts approved September 7, 1916, and June 21, 1917, be further amended and reenacted so as to read as follows:

"In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of $5, $10, $20, $50, $100, $500, $1,000, $5,000, $10,000 as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued."

SEC. 4. That paragraphs (b) and (c) of section 19 of the Federal reserve act, as amended by the acts approved August 15, 1914, and June 21, 1917, be further amended and reenacted to read as follows:

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than 10 per cent of the aggregate amount of its demand deposits and 3 per cent of its time deposits: *Provided, however*, That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraph (a) hereof.

"(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than 13 per cent of the aggregate amount of its demand deposits and 3 per cent of its time deposits: *Provided, however*, That if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof."

SEC. 5. That section 22 of the Federal reserve act, as amended by the act of June 21, 1917, be further amended and reenacted to read as follows:

"(a) No member bank and no officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than $5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given.

"Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee thereof shall be deemed guilty of a misdemeanor and shall be imprisoned one year or fined not more than $5,000, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as a national bank examiner.

"(b) No national bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

"No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress, or of either House duly authorized. Any bank examiner violating the provisions of this subsection shall be imprisoned not more than one year or fined not more than $5,000, or both.

"(c) Except as herein provided, any officer, director, employee, or attorney of a member bank who stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by such member bank shall be deemed guilty of a misdemeanor and shall be imprisoned not more than one year or fined not more than $5,000, or both.

"(d) Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property, when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided, however*, That when any director, or firm of which any director is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Federal Reserve Board, by regulation, may require a full disclosure of all profit realized from such sale.

"Any member bank may sell securities or other property to any of its directors, or to a firm of which any of its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however*, That nothing in this subsection contained shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

"(e) No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposit of such director, officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

"(f) If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation."

SEC. 7. That section 5208 of the Revised Statutes as amended by the act of July 12, 1882, and section 5209 of the Revised Statutes as amended by the acts of April 6, 1869, and July 8, 1870, be, and the same are hereby, amended and reenacted to read as follows:

"SEC. 5208. It shall be unlawful for any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the act of December 23, 1913, known as the Federal reserve act, to certify any check drawn upon such Federal reserve bank or member bank unless the person, firm, or corporation drawing the check has on deposit with such Federal reserve bank or member bank, at the time such check is certified, an amount of money not less than the amount specified in such check. Any check so certified by a duly authorized officer, director, agent, or employee shall be a good and valid obligation against such Federal reserve bank or member bank; but the act of any officer, director, agent, or employee of any such Federal reserve bank or member bank in violation of this section shall, in the discretion of the Federal Reserve Board, subject such Federal reserve bank to the penalties imposed by section 11, subsection (h), of the Federal reserve act, and shall subject such member bank if a national bank to the liabilities and proceedings on the part of the Comptroller of the Currency provided for in section 5234, Revised Statutes, and shall, in the discretion of the Federal Reserve Board, subject any other member bank to the penalties imposed by section 9 of said Federal reserve act for the violation of any of the provisions of said act. Any officer, director, agent, or employee of any Federal reserve bank or member bank who shall willfully violate the provisions of this section, or who shall resort to any device, or receive any fictitious obligation, directly or collaterally, in order to evade the provisions thereof, or who shall certify a check before the amount thereof shall have been regularly entered to the credit of the drawer upon the books of the bank, shall be deemed guilty of a misdemeanor and shall, on conviction thereof in any district court of the United States, be fined not more than $5,000, or shall be imprisoned for not more than five years, or both, in the discretion of the court.

"SEC. 5209. Any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the act of December 23, 1913, known as the Federal reserve act, who embezzles, abstracts, or willfully misapplies any of the moneys, funds, or credits of such Federal reserve bank or member bank, or who, without authority from the directors of such Federal reserve bank or member bank, issues or puts in circulation any of the notes of such Federal reserve bank or member bank, or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such Federal reserve bank or member bank, with intent in any case to injure or defraud such Federal reserve bank or member bank, or any other company, body politic or corporate, or any individual person, or to deceive any officer of such Federal reserve bank or member bank, or the Comptroller of the Currency, or any agent or examiner appointed to examine the affairs of such Federal reserve bank or member bank, or the Federal Reserve Board; and every receiver of a national banking association who, with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of his trust, and every person who, with like intent, aids or abets any officer, director, agent, employee, or receiver in any violation of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than $5,000 or shall be imprisoned for not more than five years, or both, in the discretion of the court.

"Any Federal reserve agent, or any agent or employee of such Federal reserve agent, or of the Federal Reserve Board, who embezzles, abstracts, or willfully misapplies any moneys, funds, or securities intrusted to his care, or without complying with or in violation of the provisions of the Federal reserve act, issues or puts in circulation any Federal reserve notes shall be guilty of a misdemeanor, and upon conviction in any district court of the United States shall be fined not more than $5,000 or imprisoned for not more than five years, or both, in the discretion of the court."

Mr. PHELAN. Mr. Speaker, this bill amends certain provisions of the Federal reserve act, and two provisions of the Revised Statutes relating to national banks. The first section of the bill provides for some changes in the method of election of class A and class B directors of the Federal reserve banks. The first change takes certain words out of the Federal reserve act. Under the Federal reserve act the Federal Reserve Board is obliged in grouping banks whereby directors may be elected

to make the banks as nearly as possible of the same capitalization and also to make the number of banks in each group as nearly as possible equal. This amendment removes the provision relative to making them as nearly as possible of the same number. The purpose is this: The principle in the Federal reserve act in the election of directors is that the three classes of banks—the large, the medium sized, and the small—shall each have representation upon the Federal Reserve Board. Where it is necessary to make the capitalization as nearly as possible equal, and at the same time the number, it has been found impossible to put the same number of large banks in a group as the number of medium sized and small; because there are fewer large banks. As a result, the present law makes it difficult if not impossible to do what was actually intended. This provision leaves it to the discretion of the Federal Reserve Board as to the number which shall go in each group, leaving in the law, however, the provision that the banks in each group shall be as nearly as possible of the same capitalization. In other words, it enables the board to carry out the plain intent of the original Federal reserve act.

The second change in the first section provides for a different method of electing these directors. Under the present law every member bank chooses an elector, and that elector in common with other electors chooses the directors of class A and class B of the Federal reserve banks. This difficulty has arisen:

Because of the failure of the banks to hold meetings and elect reserve electors and for other reasons, a very small proportion of the banks in some districts is taking any part at all in the election of the Federal reserve bank directors. We have recommended a change be made so that the president or the cashier or some other officer of the bank may, by proper action of the bank, cast its vote in the election of Federal reserve bank directors so that the banks may vote much more easily, and in that way participate to a greater extent in the naming of the directors. In addition to that, in the first section we have added some words to the present law which will be found on page 4, line 10, down to line 19, inclusive, as follows:

No officer or director of a member bank shall be eligible to serve as a class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

Any person who is an officer or director of more than one member bank shall not be eligible for nomination as a class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director.

These provisions are added also to carry out the original intention of the Federal reserve act. Under the first paragraph I read this will be required hereafter, that if the small banks select a director they must select him, if he is a director of any bank, from a directorate of some one of that group. In other words, the small banks will not be permitted to select as their representative a man who is a director in one of the large banks. The second paragraph I read.

Mr. STAFFORD. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. In a moment. The second paragraph makes this further provision, that if a man is a director in what might be termed a large bank, he can not be elected a Federal reserve bank director except to represent the group of large banks. In other words, if a man is a director in banks coming within the three groups or within two groups, he can represent only that group in which the bank of largest or larger capitalization happens to come. The purpose is this: We find in some of the Federal reserve bank districts that two or sometimes, I think, even three of the Federal reserve directors in class A are men who are the big bankers, men who are directors in banks of the groups of largest capitalization, but because they also happen to be directors of small banks, are then elected to represent the smaller group. Although it is not entirely pertinent at this point, I might add that in some cases the smaller banks can dominate to the exclusion of the large banks. The intention of the Federal reserve act was that there should be representation for all kinds of banks; that the larger banks should have Federal reserve directors fitted to represent them, the medium-sized banks directors to represent them, and the small banks directors to represent them, but the provisions were not secure enough to prevent what has actually happened, and it is the purpose of the committee in offering this amendment to make provision by law whereby the plain intent of the Federal reserve act shall be carried out.

Mr. STAFFORD. Will the gentleman yield?

Mr. PHELAN. I will now yield.

Mr. STAFFORD. My memory may not serve me correctly, but I was under the impression that the Federal reserve act in the selection of the respective groups of directors from the respective classes of banks, that the group of banks would have the authority to select any person of their own group whom they choose to represent them, and that they could by that means elect a member who was perhaps a member also of another class, though their vote would determine who should be their representative. Am I in error as to my recollection of the law?

Mr. PHELAN. If I understood the gentleman, he stated the situation exactly as it is.

Mr. STAFFORD. If that is the fact, why should not the banks of a certain class have the privilege of selecting a director, even though that director might be a representative of one of another class of banks? Why should not the smaller banks be privileged to select the man they choose, even though perchance he may be a director in some other class of banks?

Mr. PHELAN. Well, for two reasons. The first is that it is difficult, under some conditions, to get the banks to participate as freely as they should, and a few banks can control the whole situation. In the second place, some men, because of their power and the fact that they are directors of those big banks and of smaller banks—a chain of banks—may be able to exercise such power as to get the positions. Men do not truly and genuinely represent that class of banks when the banks, if they had those influences removed, would not select that kind of men to represent them. We feel that the smaller banks ought to have representatives who will represent them for their interest, and not for other interests interfering with that representation. For that reason we have purposely made it impossible to have the present practice continued.

Mr. CANNON. Will the gentleman allow me?

Mr. PHELAN. I will yield to the gentleman.

Mr. CANNON. I understand now that the small bank has just as many votes as the large bank under the law. Is that right?

Mr. PHELAN. Yes; except the banks are grouped, the gentleman will understand. There will be one group of large banks, another group of small banks, another group of medium-sized banks, and each group elects one director of class A and one director of class B.

Mr. CANNON. That is the law now?

Mr. PHELAN. That is the present law; yes.

Mr. CANNON. That is to say, if one man has $10,000,000 and is a candidate, and another has $100,000 and is a candidate, the $100,000 man can not vote for the $10,000,000 man or against him. Is that it?

Mr. PHELAN. Under the present law he can vote for the man who is to represent the large bank. Under the present law the smaller group can take the $10,000,000 man if they want to, but they can not vote for him in common with the larger bank. They are put in a separate class, and the votes do not come together under the present law.

Mr. CANNON. That is to say, the small banks can not vote for the directors of the large banks?

Mr. PHELAN. Well, under the present law——

Mr. CANNON. I mean under the present law.

Mr. PHELAN. They can not select——

Mr. CANNON. In other words, they are put in three groups—one small, one medium class, and one large?

Mr. PHELAN. These groups exist to-day, and the only difference is this: The groups are just the same. We have one group of large banks, one group of medium-sized banks, and one group of small banks. Now, the directors in the first group elect a man of class A. The directors of the second group elect a man of class A, and the third group in similar manner. Under the present law the directors, or rather the electors, of the group of small banks can elect a man who is a director in a large bank if they see fit to do so. Under the law as we have arranged it here, if this amendment goes through Congress, a man who is a director of a large bank can not represent these smaller banks.

Mr. SNYDER. Is not this what the gentleman means? Under the law to-day all three groups can elect one man to represent them in all three groups. In other words, a director who is elected, who represents a large bank, can also be elected to represent a medium-sized bank?

Mr. PHELAN. Not the same man. But take the case of the Federal reserve bank in Chicago. My recollection is that two of your directors out there are directors in perhaps the largest banks in the city of Chicago.

Mr. CANNON. One the First National and the other the Commercial.

Mr. PHELAN. One of those men is elected under the present law to represent the large banks and the other man is elected to represent either the medium size or the small banks—I do not know which—but these men are both directors of large

banks. What we desire to do is to have men on the boards of these Federal reserve banks who are truly representative of the smaller banks, just as others should be representative of medium-sized and large banks. That is the purpose of the amendment. That section gave national banks the power to act——

Mr. STAFFORD. Before you leave section 1 may I direct the chairman's attention to a typographical error in the quotation marks following the word "candidate," in line 10, page 4?

Mr. PHELAN. What is the error?

Mr. STAFFORD. I do not think there should be any quotation marks there. They should be before the word "Any" in line 15. You are amending the law.

Mr. PHELAN. Well, there was a mistake in the paragraphing. The word "No," on page 4, line 10, starts the new matter. That should have been made a separate paragraph there. The present law ends with the word "candidate."

Mr. STAFFORD. If that is the new paragraph it is not printed as such, and we are considering the bill as printed. Therefore, I suggest to the gentleman that the quotation marks should be eliminated there and placed before the word "Any," and also following the word "director" in line 19.

Mr. PHELAN. Mr. Speaker, I ask unanimous consent that that change be made, namely, that the quotation marks in the middle of line 10, page 4, after the word "candidate," be stricken out and quotation marks be put after the word "director," on line 14, and before the word "Any," on line 15, and after the word "director," in line 19.

Mr. STAFFORD. The gentleman is in error in placing quotation marks after the word "director," in line 14. That would only come after the section.

Mr. PHELAN. I see. Strike out the quotation marks after the word "candidate," on line 10 of page 4, and insert quotation marks after the word "director," on line 19, on the same page, and before the word "Any," in line 15.

The SPEAKER. The Clerk will report the change which the gentleman asks unanimous consent to have made.

The Clerk read as follows:

Mr. PHELAN moves to amend, on page 4, line 10, by striking out the quotation marks after the word "candidate"; insert quotation marks before the word "Any," in line 15; and insert quotation marks after the word "director," in line 19.

The SPEAKER. While the amendment stage has not been reached, the gentleman from Massachusetts [Mr. PHELAN] asks unanimous consent to make the changes indicated by the Clerk. Is there objection? [After a pause.] The Chair hears none.

Mr. PLATT. Will the gentleman yield?

Mr. PHELAN. I yield to the gentleman from New York.

Mr. PLATT. I was going to ask the gentleman, as to the quotation marks, if he pointed out that, on page 3, line 10, the Federal Reserve Board is put in as classifying these banks, whereas under the present law the directors of the Federal banks will do it.

Mr. PHELAN. I will say to the gentleman that if he notices any typographical change that ought to be made he can take it up later.

Mr. PLATT. It is a change in the present law.

Mr. PHELAN. If the gentleman will keep it in mind, he can take it up a little later.

Section 2 refers to section 11 (k) of the Federal reserve act. Under that section certain fiduciary powers may be granted to the national banks of the country. The amendment we offer extends those powers so as to include other fiduciary powers, ordinarily exercised by State banks. You will find those additions on page 4:

Registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity—

And so no. Those words have been added so as to give national banks under the restrictions of the bill the power to exercise similar fiduciary capacities to those exercised by State banks.

Mr. COOPER of Wisconsin. Will the gentleman permit a question?

Mr. PHELAN. Yes.

Mr. COOPER of Wisconsin. I notice in lines 10 and 11, page 5, beginning in line 9, this language:

The granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this act.

What is meant by "within the meaning of this act"?

Mr. PHELAN. I was just going to take that up.

Mr. COOPER of Wisconsin. Those words, "shall not be deemed to be in contravention of State or local law within the meaning of this act," are rather vague.

Mr. PHELAN. The gentleman has just referred to another change of considerable importance in the present law. The United States Supreme Court has already interpreted the present law, and it has held this—if I may be excused for attempting to paraphrase, with a full knowledge of the danger of paraphrasing—it has held this, in effect: That the Federal Reserve Board, under powers conferred in section 11 (k), may grant these fiduciary powers to national banks where the States permit that to be done, and also that the Federal Reserve Board may grant these fiduciary powers to national banks where the States do not give any such authority to national banks, but do give it to State banks, but do not prohibit national banks from receiving such authority.

Now, we have gone a step further and, acting in full accord with what the decision of the Supreme Court says we can do, have added this further provision, to the effect that the Federal Reserve Board shall have the power under the limitations of the act to grant these fiduciary powers to national banks, even though in the State law there is expressly or by implication some prohibition to the granting of this power to national banks, with, however, this provision: That that shall apply only where a similar power is granted to State banks, trust companies, or other competing corporations.

In other words, we have endeavored by this amendment to make provision whereby national banks shall be put upon precisely the same footing with reference to these fiduciary powers, so far as that can be done by our law, with State banks, trust companies, and other competing corporations.

Mr. ROBBINS. Before you leave that section, may I ask if it is your intention here to enlarge the rights of national banks so as to be equal with the powers now conferred on trust companies by the laws of the various States creating them?

Mr. PHELAN. I will not say that. I will say that where we are granting these fiduciary powers we intend that the national bank shall have the right to exercise those powers if the Federal Reserve Board desires to grant it wherever the State grants similar powers to State banks, trust companies, and competing corporations.

That is somewhat different from the case as the gentleman states it. Let me give you a case that you will understand: In the State of New York there is a statute which prohibits the exercise of fiduciary powers except by trust companies organized under the provisions of the same statute. In all probability under that New York State law the Federal Reserve Board, under the act as it stands, could not grant a similar power to a national bank in New York State, because in New York State the State law prohibits the exercise of these powers except to those trust companies. We intend to give the Federal Reserve Board the power to enable the national banks in New York State to exercise these powers as they are exercised by trust companies in New York State.

Mr. ROBBINS. I see, Mr. Speaker; but in the State of Pennsylvania we have four kinds of banks—national banks, trust companies, State banks, and private banks. All these banks are subject to examination, three by the examiners of the State of Pennsylvania and national banks by the Federal agents. Under that system of law we have established in the State of Pennsylvania a well-established system of trust companies transacting fiduciary obligations and discharging trust relations. Now, you propose here to permit the national bank to invade that field, either for the purpose of establishing a new field of banking for the national bank or to force the trust companies into the Federal Reserve System. What is your purpose, and what is your reason for granting this new power to national banks?

Mr. PHELAN. There may be a number of reasons, but I will state the principal reason. We intend, so far as we can by national law, not to permit the State to grant powers in discrimination against national banks. We intend that national banks shall not be discriminated against when it is unnecessary, and it is in order to prevent that discrimination that we are recommending this amendment to the present law.

Mr. ROBBINS. There is no complaint from the national banks in our Commonwealth about that situation. Here you propose now to permit the national banks to invade a field that the trust companies have developed and that they occupy and in which they discharge these fiduciary obligations to the entire satisfaction of the people. I think that is unfair. I think it is uncalled for. I think there is no necessity for it.

Mr. PHELAN. I have been informed that in many parts of the United States the trust companies themselves not only are willing that national banks shall have these powers, but are rather desirous that they should have them on this ground, that they depart from the narrow ground of selfish interest, so far as their own competition with national banks is concerned, and take this position, that they believe fiduciary powers should be exercised by certain corporate entities.

Mr. ROBBINS. Yes.

Mr. PHELAN. They think trust powers in certain cases can be better executed by them than by individuals, and they regard it as better to extend this power so that any organization like a national bank, which can exercise these powers to the benefit of the community, shall be included. In other words, they are putting it on a broad ground, and in many cases they favor this proposition.

Mr. ROBBINS. I do not wish to provoke discussion unnecessarily with the gentleman at this time, but let me suggest this: The trust companies in the States are creatures of the States. The national banks are not. The trust companies of the States are subject to the examination of the courts of the States. The national banks are not; and the effect of this provision of this bill, if approved, will be to drive the trust companies out of business.

Mr. PHELAN. Excuse me right there; we went all over that ground. I am perfectly willing to yield all the time necessary, but I do not want to use all the time myself. We went all over that question ourselves with the greatest care. Those suggestions came up in the committee room. I will call the gentleman's attention to this fact, that the probate court judge or other judge having jurisdiction is supreme master of the situation. If the national bank endeavors to do anything which he thinks is in violation of the trust, he has absolute power to remove that national bank as trustee and appoint any other trustee in his place. All that we are doing by the law is to say that the Federal Reserve Board may enable these banks to act as trustees; but we do not, and, in my own opinion, I think probably we can not say that the national bank could be made a trustee or continued as a trustee if the probate judge having charge of the estate, or other judge, as the case may be, thought that the national bank was not properly executing its trust, so that the probate or other court is absolute master, in the final analysis.

Mr. ROBBINS. I doubt very much whether that would work out that way at all. I do not think this provision ought to be passed. I do not approve of it.

Mr. PHELAN. We have made some other provisions in this section to safeguard the interests of the beneficiary and to guarantee that the trust shall be most carefully executed. They are enumerated in the report better or more briefly, perhaps, than I can take them up here on the floor, but they are all matters intended to safeguard the proper care of the trust funds.

Now, as to section 3——

Mr. STEELE. At that point will the gentleman yield for a question?

Mr. PHELAN. Certainly.

Mr. STEELE. Under the Federal reserve act, as I recollect the provision, the funds of the bank itself are withdrawn from State taxation; and is there any provision here, if you are going to withdraw fiduciary funds from State control and place them under Federal control, that determines whether those funds would still be subject to State taxation or whether it would still be an exclusively Federal function outside of the State jurisdiction?

Mr. PHELAN. I do not recall that the Federal reserve act in any particular removes from taxation by the State funds held by national banks.

Mr. STEELE. Not particularly, but if it does become a Federal function it would not be subject to State taxation unless Congress gave its consent to such taxation.

Mr. PHELAN. The gentleman refers, I think, to the old national banking act.

Mr. STEELE. Yes. The same principle would apply here, unless there was some provision on the subject, I should say.

Mr. PHELAN. That is——

Mr. STEELE. If you withdraw these trust funds from State control and place them under Federal control, under the Federal banking system, then you place them under a Federal function——

Mr. PHELAN. Yes.

Mr. STEELE. Which would not ordinarily be subject to State taxation.

Mr. PHELAN. I see what the gentleman means.

Mr. STEELE. My inquiry is whether there is any provision in this bill dealing with that subject?

Mr. PHELAN. There is no provision in this bill dealing with that subject; no.

Mr. STEELE. Then the conclusion would necessarily follow that these funds would not be subject to State taxation.

Mr. PHELAN. I think not. I get the purpose of the gentleman. The national banking act provides that a national bank can not be taxed by the State——

Mr. STEELE. Except on its capital stock and real estate.

Mr. PHELAN. Except on its real estate. The capital stock is taxed in the hands of the holders of that stock. But I do not believe that under any interpretation this would mean that a national bank acting as a trustee for funds which are not its own, which can not under any interpretation be called assets of the bank itself, will be excepted from taxation as a trustee, but taxes would be imposed just as in the case of any other trustee. I do not believe that the national banking act would be construed in that way. The bill certainly does not make any provision that they shall be exempt.

Mr. MADDEN. It ought to make provision that they should be taxed, though.

Mr. PHELAN. I do not think that question would cause any trouble.

Mr. STEELE. I think it would.

Mr. HUSTED. I note that the Federal Reserve Board, under the provisions of this bill, in passing upon applications for permission to exercise the powers enumerated, is required to take into consideration the amount of capital and surplus of the applying bank, and is prohibited from issuing a permit to any national bank having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers.

Mr. PHELAN. Yes.

Mr. HUSTED. Assume the two cases of two banks competing for business in the same community, one conforming to this requirement as to capital and surplus and the other bank not being strong enough to do so. Would not the enactment of this act, in the gentleman's opinion, give the stronger bank a very great advantage over the smaller bank in its competition for business in that community.

Mr. PHELAN. I presume it would be an advantage, yes; but here was the situation that confronted us. We were demanding that national banks should not be discriminated against in the various States. In fairness, even if we had the power, we ought not to endeavor to discriminate against State banks by the passage of our law. Now, if we had the power, and exercised it, and granted to banks of $25,000 capitalization this fiduciary power when a State would not permit a bank of such small capitalization to have such power, we would be discriminating against State banks, and indirectly against the State itself. We wanted to avoid any such difficulty.

Mr. HUSTED. I appreciate that, and sympathize with the purpose of the committee; but it seemed to me that this might work great injustice against the small banks which were unable to comply with the requirements of this section by enabling strong banks to get this business, which would bring other business along with it.

Mr. PHELAN. If that is an evil, I think it is the lesser of two evils.

Mr. STAFFORD. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. How much time have I, Mr. Speaker?

The SPEAKER. The gentleman has 28 minutes.

Mr. PHELAN. If the gentleman will be brief I will be glad to yield.

Mr. STAFFORD. I am always brief when addressing myself to the very concise gentleman from Massachusetts. Do I understand that this fund, deposited in a national bank in a separate department, will be impressed with the fiduciary character, so that it can not be utilized by the bank for its general purposes, and that thereby the bank does not become a debtor to the depositor, whether he is a trustee or not?

Mr. PHELAN. No.

Mr. STAFFORD. If it become a debtor, then the funds would still be relieved from the obligation of taxation.

Mr. PHELAN. I am not so sure of that.

Mr. STAFFORD. As I understood the reply of the gentleman from Massachusetts to the inquiry of the gentleman from Pennsylvania——

Mr. PHELAN. Let me interrupt——

Mr. STAFFORD It was that these funds would be impressed with the trust character, so that they would still be subject to the taxation of the State.

Mr. PHELAN. Yes; but that is no different than any other trustee, because then the bank as a trustee has to its credit a deposit of the bank in its independent capacity, and that deposit—the right to draw that money—is the asset it holds as a trustee; and if I am correct it can be taxed on that just the same as I, an individual, could be taxed on the same thing, the difference being that the bank now as an independent personality has the fund, and the money itself, or the fund, would not be taxable; but if the right to draw that money is taxable in any place in the hands of an individual, I think it would be just as much taxable to the bank as to a trustee. In other words, there are two items there—one to the bank as a bank, the other to the bank as trustee.

Mr. FESS. Will the gentleman yield for a question?

Mr. PHELAN. Yes.

Mr. FESS. On page 5, line 19, where the State authorities are permitted to inspect these accounts, is not that a rather unusual procedure for the State authorities to inspect a national institution?

Mr. PHELAN. The gentleman's question is very pertinent. It is rather unusual, except that we have carefully safeguarded it so that it will be a very proper inspection. The State officials can inspect the assets of the trust—the trust fund. They can go into a national bank and examine those things that are segregated in the trust fund, but they can not go into the bank itself and look at any assets outside of the trust fund. In other words, it is simply limited to what the bank holds segregated in the trust, and you will see that no harm or injury can be done.

Mr. FESS. The gentleman thinks that by opening up to the State authority the inspection any danger would be averted?

Mr. PHELAN. We prohibit them from going into the bank itself and examining the general funds of the bank. They can go in and see whether the bank has so much stock, which it represents it has as trustee, or so many bonds; they can look at the books of the trust as they can of an individual trust, but when they try to step over into the assets of the bank then they are stopped.

Section 3 amends the present law so that Federal reserve notes may be issued of a larger denomination than at the present time. Under the present law $100 is the largest Federal reserve note permissible to be printed. Under our amendment we permit Federal reserve notes of $500, $1,000, $5,000, and $10,000 to be issued by the Federal reserve banks.

Mr. DEMPSEY. Will the gentleman yield?

Mr. PHELAN. I will.

Mr. DEMPSEY. I intended to ask this question before the gentleman took up section 3. It is on the same line as the question propounded by the gentleman from Pennsylvania [Mr. STEELE]. The legal ownership of this trust fund is in the bank. The bank is just as much the legal owner of the trust bonds as though they belonged to them and were a part of its assets. Has the gentleman considered the question of the taxability by the State from that standpoint?

Mr. PHELAN. I answered that in my answer to the gentleman from Pennsylvania [Mr. STEELE]. I would like to answer the gentleman more fully, but I would like to finish the bill in my own time.

We permit Federal reserve notes of larger denominations to be issued. The purpose is to conserve the gold supply, a very important thing to be done. At the present time certain individuals, corporations, and banks in particular, like notes of large denominations, which makes it easier for exchange purposes to pay off balances, and for other purposes.

At the present time the only notes of large denominations that they can get are gold certificates. They have no desire to have that kind of a certificate if they could get Federal reserve notes of large denominations. They are constantly withdrawing from the banks the large gold certificates, and thus constantly drawing on the gold supply of the Federal reserve banks. If Federal reserve banks can issue Federal reserve notes of a larger denomination every bank will be as willing to take them as it will the gold certificates, and the gold certificates can be retained by the Federal reserve banks. That is the whole purpose of the section.

Mr. ROBBINS. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. ROBBINS. During the recent months I have had applications from Pittsburgh for more currency of small denomination—one and two dollar notes—for pay-roll purposes. Why would it not be an advantage to have bills of that denomination for that purpose? Why do you shut them out, which creates this stringency?

Mr. PHELAN. I think the stringency has been overcome, or will shortly be overcome, because there was a bill passed a few months ago enabling national banks to issue $1 and $2 notes, whereas under the law existing at the time they were permitted to issue nothing below $5 notes. I suppose there is a national-bank circulation of between seven hundred and eight hundred million dollars. This act gave authority to the national banks to issue the small notes. They now have the power, and they did not have the power. That is what led to the stringency. But there are other reasons why it is hardly advisable to issue Federal reserve notes of small denominations, which I do not wish to take time now to explain. I will say that in the bill passed Monday provision is made whereby one or two dollar notes can be issued by Federal reserve banks. I think the advisability of this, however, is very doubtful.

Mr. FESS. The gentleman makes a distinction between Federal reserve notes and Federal reserve bank notes.

Mr. PHELAN. I did not intend to use those two terms. I made a distinction between gold certificates and Federal reserve notes. The distinction is between the gold certificate and the notes issued by the Federal reserve bank.

Mr. FESS. Did we authorize the issue of $1 bills of greenback denomination?

Mr. PHELAN. I think we have not made any authorization referring to greenbacks at all, either in this Congress or any Congress of which I have been a Member.

Mr. FESS. Here is a note of the United States. Is it not a Federal reserve bank note?

Mr. PHELAN. No; it is a legal-tender note. I suppose it would be called a greenback.

Mr. FESS. Then we have authorized the issue of greenbacks.

Mr. PHELAN. No; the greenback was issued before I was born.

Mr. FESS. There were no greenbacks of a less denomination than $5 until we changed it.

Mr. PHELAN. The change we made referred to the national-bank notes.

Mr. FESS. It referred to greenbacks also, for this is issued in 1917. Will the gentleman allow me to ask one question more? Is it the policy to ultimately make the Federal reserve notes our exclusive paper money?

Mr. PHELAN. I do not know that that is the purpose. I think the desire of many interested in the subject is to have the Federal reserve notes used to the largest extent as our currency.

Mr. FESS. You have reduced from $100 denomination to $5 denomination the Federal reserve note.

Mr. PHELAN. Oh, no; it is the other way. We have not permitted the issue of Federal reserve notes of over $100 denomination up to date. The only change we are making in this bill is to include $500, $1,000, $5,000, and $10,000 notes. If I may go on, the next section, section 4, takes up section 19 of the Federal reserve act.

Mr. COOPER of Wisconsin. Mr. Speaker, I would like to ask the gentleman one question.

Mr. PHELAN. If the gentleman will let me finish the bill, I shall be glad then to answer any question; but my time is almost used up.

Mr. STAFFORD. Can not some arrangements be made whereby some of the time allotted on this side may be granted to the gentleman, so that he can properly respond to inquiries directed to him?

Mr. PHELAN. I do not like to monopolize the time, but I should be glad to answer any question that I can.

Mr. STAFFORD. The gentleman has charge of the bill and inquiries are being made in good faith.

The SPEAKER. The gentleman has 15 minutes remaining, and he can ask for additional time by unanimous consent.

Mr. STAFFORD. Mr. Speaker, I ask unanimous consent that the time of the gentleman be extended for one-half hour.

The SPEAKER. The gentleman from Wisconsin asks unanimous consent that the time of the gentleman from Massachusetts be extended for one-half hour. Is there objection?

Mr. WINGO. Mr. Speaker, reserving the right to object, what is the disposition of that side with reference to further debate upon the bill?

Mr. McFADDEN. Mr. Speaker, I might say that there has been no arrangement made and I have had no calls for time. There are gentlemen on this side who I know will probably want to talk. I will suggest that we have some agreement, if that is necessary.

The SPEAKER. The Chair would suggest to all gentlemen that under the new rule about Calendar Wednesday only two hours will be allowed, but the House has power to extend the time.

Mr. McFADDEN. Mr. Speaker, I might say that the gentleman is making a very careful explanation and analysis of the bill, and unless some gentleman on this side desires time beyond 30 minutes—I shall not consume over 10 minutes—I will be perfectly willing to yield 30 minutes of the hour to the gentleman from Massachusetts.

Mr. WALSH. Of course, the gentleman from Pennsylvania does not know what questions may come up.

The SPEAKER. The gentleman from Wisconsin asks unanimous consent that the time of the gentleman from Massachusetts be extended for 30 minutes. Is there objection?

Mr. WINGO. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. WINGO. That will not vary the rule of two hours of general debate?

The SPEAKER. No.

Mr. WINGO. That would mean that his additional time would come off the two hours?

The SPEAKER. Oh, no; it simply extends his hour to an hour and a half.

Mr. ROBBINS. Is no time allowed for debate on this bill under the five-minute rule?

Mr. STAFFORD. This is a House bill, and the gentleman is privileged to move the previous question at any time after two hours of debate.

The SPEAKER. The gentleman is correct.

Mr. MADDEN. Inasmuch as that is the case, and as nobody is in the House, except a few Members, to listen to the explanation—something that all Members ought to know—I make the point of order that there is no quorum present.

Mr. PHELAN. I hope the gentleman will withdraw that.

Mr. MADDEN. How can Members consider a bill like this if they are not here?

Mr. MOORE of Pennsylvania. This vitally affects large institutions in my city and State, and I want to get more information about it.

The SPEAKER. Is there objection?

Mr. WALSH. Mr. Speaker, there is a point of order of no quorum pending.

The SPEAKER. Does the gentleman insist upon his point of no quorum?

Mr. MADDEN. Yes.

The SPEAKER. The gentleman from Illinois makes the point of order that there is no quorum present. Evidently there is not.

Mr. KITCHIN. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The SPEAKER. The Doorkeeper will lock the doors, the Sergeant at Arms will notify absentees, and the Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

Austin	Ferris	Jones	Rodenberg
Beshlin	Flood	Kearns	Rowland
Booher	Flynn	Kelley, Mich.	Rucker
Brodbeck	Focht	Kennedy, R. I.	Sanders, La.
Buchanan	Fordney	Kettner	Saunders, Va.
Butler	Foster	King	Scott, Iowa
Caldwell	Gallagher	Kreider	Scott, Pa.
Carew	Gallivan	LaGuardia	Scully
Chandler, N. Y.	Gandy	Lunn	Shackleford
Cleary	Garrett, Tex.	McClintic	Sherwood
Collier	Glass	McCormick	Shouse
Cooper, Ohio	Godwin, N. C.	McCulloch	Slemp
Copley	Goodall	McLaughlin, Pa.	Small
Costello	Gray, Ala.	Mann	Smith, T. F.
Crago	Gray, N. J.	Martin	Snell
Curry, Cal.	Greene, Vt.	Meeker	Stephens, Nebr.
Dale, Vt.	Gregg	Miller, Wash	Stevenson
Davis	Griest	Mondell	Strong
Dempsey	Griffin	Moon	Sullivan
Denison	Hamilton, N. Y.	Mudd	Sumners
Dewalt	Heintz	Neely	Switzer
Dies	Hensley	Nichols, Mich.	Talbott
Dill	Hicks	Norton	Templeton
Donovan	Hilliard	Oliver, N. Y.	Thompson
Dooling	Holland	Osborne	Tinkham
Drukker	Hood	Porter	Venable
Dupré	Howard	Powers	Voigt
Dyer	Husted	Price	Watson, Pa.
Eagan	Jacoway	Purnell	Watson, Va.
Edmonds	James	Rankin	Wheeler
Estopinal	Johnson, Ky.	Riordan	Wright
Fairchild, G. W.	Johnson, S. Dak.	Roberts	

The SPEAKER pro tempore (Mr. CRISP). Three hundred and three gentlemen have answered to their names; a quorum is present.

Mr. KITCHIN. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The SPEAKER pro tempore. The Doorkeeper will unlock the doors.

Mr. WINGO. Mr. Speaker, just a moment. At the time the point of no quorum was raised there was pending a request for unanimous consent to extend the time of the gentleman from Massachusetts 30 minutes.

The SPEAKER pro tempore. The present occupant of the chair, of course, was not in the chair at that time.

Mr. WINGO. That is the reason I made the suggestion; that is the pending question.

The SPEAKER pro tempore. The Chair will submit the request. Request is made that the time of the gentleman from Massachusetts [Mr. PHELAN] be extended 30 minutes. Is there objection? [After a pause.] The Chair hears none.

Mr. PHELAN. Mr. Speaker, I yield one minute to the gentleman from Alabama [Mr. DENT], for the purpose of asking a conference.

SALE OF WAR MUNITIONS TO COBELLIGERENTS.

Mr. DENT. Mr. Speaker, I desire to call up the bill (S. 3803) to authorize the President to sell munitions to our cobelligerents. The gentleman from California [Mr. KAHN] understands the bill. The House amended that bill, and the Senate disagreed to the amendment, and I ask that the House insist on its amendment and agree to the conference.

The SPEAKER pro tempore. The gentleman from Alabama asks unanimous consent to take from the Speaker's table the bill S. 3803, that the House insist on its amendment to the Senate bill and agree to the conference on the same asked by the Senate. Is there objection?

Mr. KAHN. Mr. Speaker, reserving the right to object, there are some Members on this side who want to know what that bill is, and I would like, if the gentleman will yield me about two minutes——

Mr. DENT. Briefly stated, this is a bill which authorizes the President of the United States to sell munitions or war supplies to our allies or cobelligerents and also to dispose of certain property which has become obsolete to private purposes and corporations. The bill passed the House about two weeks ago, but the House amended the Senate bill so as to change this feature. The Senate bill authorized each bureau or department to take the proceeds of the sale and apply them to its own purposes. The House amended that bill authorizing the covering of those proceeds into the Public Treasury. That is the amendment we are insisting upon.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama? [After a pause.] The Chair hears none. The Chair announces the following conferees: Mr. DENT, Mr. FIELDS, and Mr. KAHN.

AMENDING CERTAIN SECTIONS OF THE FEDERAL RESERVE ACT AND REVISED STATUTES.

Mr. PHELAN. Mr. Speaker, I had just concluded speaking about section 3 of this bill. Section 4 is an amendment to the present law with reference to the reserve requirements. Section 4 amends the present law in this respect. It permits the Federal Reserve Board to let down the reserve requirements in the case of particular banks which I shall specify. It permits the Federal Reserve Board in the case of banks situated in outlying districts of central reserve cities, which are New York, Chicago, and St. Louis, and in territory which has been incorporated within the municipal limits of those cities through expansion, to require of banks in such sections only such reserves as are required of banks in reserve cities or only such reserves as are required of country banks as the board may decide. It has a similar provision with reference to banks similarly located in reserve cities, so that in the case of those banks the Federal Reserve Board may require only those reserves required of country banks. Let me illustrate. Suppose some small bank is situated in the outskirts of the city of Chicago with a small capitalization at the present time. That bank, although its business may be purely local in its nature, is required to keep the same reserve as the largest bank in the city of Chicago. This bill will permit the Federal Reserve Board to require of that bank only 7 per cent reserve, the same reserve required of a country bank, or 10 per cent reserve, the same reserve required of a reserve city bank, instead of a 13 per cent reserve now required of that bank as a bank situated in a central reserve city. Another illustration: In the city of Boston, which is a reserve city, a bank with small capitalization may be situated in some outlying territory. The Federal Reserve Board under this amendment may require of that bank that it shall keep in reserve only the same reserve required of a country bank; that is, a bank situated in a small city; that is, 7 per cent reserve instead of 10 per cent. The purpose is to permit the Federal Reserve Board to let down the high reserve requirements when there is no occasion, from a business view, at all that those high reserve requirements should be maintained.

Section 5 is an important amendment to the present law. It amends section 22 of the Federal reserve act. When the committee reported the Federal reserve act it put in section 22 among the other provisions. At that time the committee had certain definite things in mind which it intended to prohibit. Those things were prohibited under that section, but owing to some confusion in interpretation of construction of that section a great deal of doubt arose in the minds of bankers and others concerned as to just what could and could not be done or what was or was not prohibited under that section. Subsequently the

section has been amended in an effort to clarify the provisions of the original section, but there still has been confusion, so that bank directors, for example, and bank officers in particular have in some instances been in doubt whether or not they could borrow money from their own bank. This and many other instances arose which cause confusion and doubt. There was nobody who could tell authoritatively as to what could or could not be done, because no attorney connnected with the Federal Reserve Board or Treasury Department or anyone connected with the Department of Justice could tell what a court would hold, nor was any such individual authorized to give a definite construction of the section. We have amended the section in such a way that I think there is absolutely no uncertainty about it. When we have so clarified it we have at the same time modified it greatly, and I think the modification we have made will not only meet with the approval of the people at large, but will meet with the approval of the bank directors and officials themselves, and, in fact, will be heartily indorsed by them. Indeed, that has been the case so far as we have heard from anybody relative to this provision.

Mr. STAFFORD. Will the gentleman yield?

Mr. PHELAN. Gladly.

Mr. STAFFORD. Will the gentleman inform the House as to the provisions of the existing law sought to be modified by the existing law as to the authority that banks now have to purchase securities from directors direct or from any firm of which the director is a member?

Mr. PHELAN. If the gentleman will just wait one minute, I will answer that question.

In the bill subsections (a) and (b) are simply reenactments of existing law. We have not changed a word in those subsections.

Mr. STAFFORD. If the gentleman will permit, there is a typographical omission, to which I wish to direct his attention, in paragraph (c), on page 11, line 17, which may have already been called to his attention. After the word "not," in line 17, the word "more" should be inserted.

Mr. PHELAN. In the remaining subsections we have greatly modified the present law, and under the bill as amended this is the situation: Under subsection (c) the director of a bank will be prohibited—or any official, for that matter—from getting any commission through any service rendered by him in obtaining a loan or getting a note or other similar obligation discounted at the bank. There has been an evil practice in this country, whereby men on the inside would get commissions on the side for favors done outsiders who wanted to have their notes discounted or who wanted to borrow money. This subsection is aimed to prevent that evil from being continued. I will say that that is already provided for in the present law, but this clarifies it and confines it to that general purpose.

Under subsection (e) provision is made whereby a director, officer, attorney, or employee of a bank can not get a higher rate of interest on his deposit than anybody outside of the bank. The justice of it is so plain that it needs no explanation.

Now, in subsection (d) we have modified the present law.

Mr. MOORE of Pennsylvania. Where is the gentleman starting?

Mr. PHELAN. In subsection (d), at the bottom of page 11. At the present time I think there is no doubt that a man can not sit on a board of directors of a bank and at the same time, either as an individual or as a member of a firm or corporation, sell securities to that bank. For example, John Smith could not be a director of the First National Bank of Washington and at the same time sell the First National Bank bonds, stocks, or other similar securities. That is the present law. The enactment of the law resulted in driving men in the security business off the boards of directors of national banks in many places in the United States. The banks have complained that the services of those men could very well be employed as experts in securities the banks purchased, whether from that particular concern or some other concern, and that it was very advantageous to have such men on the board of directors. We have permitted under this subsection men to serve in those capacities, directors or officials of the bank, and at the same time not be permitted from selling securities to the bank, but we have put in such provision that the interests of the banks are carefully safeguarded, so that men holding those positions may not be able to sell the bank securities at a disadvantage to the bank. Close examination of the sections will show how carefully that has been safeguarded.

Mr. STAFFORD. Will the gentleman yield?

Mr. PHELAN. Gladly.

Mr. STAFFORD. Wherein is the banking situation improved by allowing a bank to purchase securities from a director, even though the provision states upon terms not less favorable to the bank than those offered to others? Certainly the bank is not generally in the business of purchasing securities, and I can well imagine a case where a director might use some ulterior influence to induce the bank to purchase securities, even at market value, not to the advantage of the bank, but to his own direct advantage, and even with the support of the majority of the board of directors as is provided in this section when they are offered at other than the prevailing quotations. What is the pressing need, from the bank situation, that we should come to the relief of a director, perchance, who is in the brokerage business for the selling of securities?

Mr. PHELAN. I will answer the gentleman. If we regard the banking business simply from the point of theory, I think the argument would tend all this way, that a man ought not to sit on a board of directors and do any business himself directly with that bank, even to the extent of borrowing money from it. Speaking of it as a purely banking question, it would be better that a director of a bank should not be allowed to borrow from that bank. But in this country our banking business has grown up in a different way. We have a large number, between 7,000 and 8,000 national banks, and in all these little communities the very men who are likely to do the borrowing from the banks are the men who will do most to make the banks strong as directors. For one reason, it is because of the multiplicity of the banks. It has been the custom, it has been the way the banking business has grown up, and although it is not entirely consistent with the best banking principles, we have to meet a practical situation. Always, therefore, directors could borrow from their own banks, and up to the time we passed the Federal reserve act there was practically no limitation on that.

The same applies, although to a less degree, perhaps, to men engaged in various security businesses. In the larger cities in particular, men who engage in the sale of securities of various kinds would be of great value to banks and their boards of directors because of the familiarity not only with securities they sell but with securities of various kinds sold all over the United States. Many banks have said that directors of that kind have been of great advantage, and they have missed those men when they have been taken off the board. Hence the committee felt we ought to go at this thing in a liberal spirit, provided we safeguarded things so that it is difficult if not impossible for an abuse to grow up out of what we frame; that we ought so far as possible to liberalize the provisions relative to the board of directors of these various banks.

Mr. STEVENSON. Mr. Speaker, will the gentleman yield for a suggestion?

Mr. GREEN of Iowa. Yes.

Mr. STEVENSON. In response to the suggestion that directors should not be allowed to sell stock and bonds to banks, there is nothing in the present law that prevents them from selling them without limitation, is there? I do not find anything in the present law that prevents their selling them. This provision is framed with a desire to regulate it and make it safer.

Mr. STAFFORD. I do not believe there has been a good argument advanced so far why this privilege should be granted to them.

Mr. PHELAN. The present law provides that they shall not sit on the boards that pass upon the purchase of those stocks and bonds from themselves. This provision includes real estate as well as securities. There are many cases where it is likely to embarrass the banks if this is not clarified in this way.

Mr. GREEN of Iowa. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. Yes.

Mr. GREEN of Iowa. I do not profess to be informed as to these cases, but the gentleman was speaking with reference to the custom in the small banks. I know that there is one bank in my district that advertises that no officer, agent, or employee of the bank owes the bank one cent. It keeps that as a standing advertisement. I also heard the gentleman who is the president of that bank state—probably it was too sweeping an assertion—that no bank had ever failed and lost the depositors one dollar unless there had been loans made to some of the officers of the bank.

Mr. PHELAN. That may apply to the gentleman's town, but in my city the principal business men of the city—it is a big industrial city—are directors of those banks, and any bank that is being formed will go out and look for those men, because those men know the business community and know what is going on, and through their own business activity they can better protect the interests of the bank than others could do. This is generally true throughout the United States. In our national banking system the loss to the depositors since the national banking system was established in the sixties has been so small as to be almost negligible, in spite of occasional national-bank failures.

Mr. FORDNEY. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. Yes.

Mr. FORDNEY. Under the law the only kind of bank that the Federal Government has control over is the national bank, and the law prohibits the national bank from loaning to any man or any set of men more than 10 per cent of the capital and surplus.

Mr. PHELAN. Yes.

Mr. FORDNEY. Why does the gentleman believe that no bank should loan a director of that bank? Why do you make that suggestion? What reason have you why the bank should not loan to the director of that bank?

Mr. PHELAN. I am afraid the gentleman did not fully understand me. I said that, looking at it simply and purely from the point of view of theory, it would be better not to have that practice engaged in, but I am in favor of permitting them to do it because of the way the banking business is done in this country, and because of practice and because of custom we are reporting a bill here which clarifies the situation. Under it there will be very few limitations put upon directors of banks from borrowing from their banks, and they are given greater powers than are permitted them under the present existing law. Do I make myself clear?

Mr. FORDNEY. Yes, sir.

Mr. PHELAN. I was simply discussing it from the point of view of banking theory when loans were made to officers and directors of those banks.

Mr. FORDNEY. I was simply discussing the matter from the point of view of the gentleman from Iowa [Mr. GREEN], that no losses were sustained by banks where loans were not made to officers and directors. I will say that the bank is better able to know the value of a loan made to an officer or director than to any other customer of that bank, and I know no good reason why a loan should not be made to an officer or director as freely as to any other customer of the bank.

Mr. PHELAN. I think that with the provision that we put in this law, with the proper administration of the law by the proper officials charged with the administration of the law, there is no danger or little danger of what the gentleman from Iowa suggests.

The other amendment simply provides for penalties in case any of these provisions are violated by the various officials mentioned.

Mr. WINGO. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. Yes.

Mr. WINGO. If my colleague will permit me, I would suggest to the gentleman from Iowa [Mr. GREEN] and to the gentleman from Wisconsin [Mr. STAFFORD] that by subdivision (c) and subdivision (d) we attempt to clear up a proposition that is set forth in section 22 of the Federal reserve act. The second paragraph, or the second subdivision, in the Federal reserve act had this language:

> Other than the usual salary or director's fee paid to any officer, director, employee, or attorney of a member bank, and other than a reasonable fee paid by said bank to such officer, director, employee, or attorney for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank: *Provided, however*, That nothing in this act contained shall be construed to prohibit a director, officer, employee, or attorney from receiving the same rate of interest paid to other depositors for similar deposits made with such bank: *And provided further*, That notes, drafts, bills of exchange, or other evidences of debt executed or indorsed by directors or attorneys of a member bank may be discounted with such member bank on the same terms and conditions as other notes, drafts, bills of exchange, or evidences of debt upon the affirmative vote or written assent of at least a majority of the members of the board of directors of such member bank—

And so on. That language which I read to you was compromise language. We labored in the Committee on Banking and Currency over that proposition for a week, and we added a phrase here and cut out one there, and the result is we have a compromise provision in the present law that a great many of the lawyers differ about as to what it means.

Here is what we intended to provide by it: First, to prevent an undue advantage being taken of national banks and member banks by directors sitting on the board and purchasing for the bank securities from other corporations of which they are directors. Another was to prevent the officers or employees of the bank from getting commissions for loans made by the bank. In the present bill we separate those two propositions clearly and treat them in unequivocal language.

There is a difference of opinion as to what the present law does. I differ with the gentleman from Massachusetts as to just what the present law does. I contended at the time that we did not reach what we said we were reaching. But there is no question but that this paragraph in this bill will clarify and give what those interested on both sides will agree is a fair, clear statement of what we intended to do when we enacted the present law.

Mr. PHELAN. At any rate, there has been a great deal of confusion in the interpretation, and we have made it absolutely certain what is meant. We have put the bank directors in a position where they will not have to ask anybody what they can do. They can go right ahead and do everything within reason without making any inquiry of anybody as to what they can do in this respect. There is no section in this bill which will so fully relieve bank directors and officers as to the uncertainty now existing regarding their powers.

I will add that we have been extremely liberal. We have incorporated in this amendment provisions which they did not even ask for, because I think it was their impression that the committee was much more desirous of restricting them than the committee actually was.

Mr. JUUL. If I understood the gentleman correctly, he stated that the privileges granted under subsection (d) were so guarded that practically no harm could come from the powers granted in the section. Yet I find by looking over the section fairly carefully that the only restriction imposed in the bill is that when any director, or any firm of which he is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, and that when they sell such securities and the directors vote for it they are required to go on record in writing as having voted for it. Now, what good will that do after the bank is filled up with worthless securities and there is nothing left in cash?

Mr. PHELAN. This is a technical subject.

Mr. JUUL. I understand.

Mr. PHELAN. It is very easy to get a little confused about it, but I will ask the gentleman to read the whole section.

Mr. JUUL. Will the gentleman pardon me for finishing my question? The safeguard that is offered is that the directors must give an affirmative vote or a written assent to the transaction. Is not that correct?

Mr. PHELAN. Will the gentleman repeat that question?

Mr. JUUL. You say here—

> Such authority to be evidenced by the affirmative vote or written assent of such directors.

In other words, they may do anything in the way of buying securities from themselves in their capacity as business men. They may come in, in their capacity as business men, and sell securities to the bank, and then sit in their capacity as directors of the bank, and if they go on record in writing they may buy anything they like.

Mr. PHELAN. That is not the situation.

Mr. JUUL. Does not the subsection say that?

Mr. PHELAN. The section provides that a member bank may purchase securities, and that includes real estate. I want the gentleman to keep that in mind; for instance, real estate that they buy on a foreclosure process.

Mr. JUUL. They are compelled to buy in that case.

Mr. PHELAN. Just a minute. They may buy these securities on the same terms as anybody else. So that in that case, where it is an offering of securities on the market, the bank, when it buys just as an individual buys, is in just the same position as anybody else, and there is practically no danger and no trouble, but such purchase is to be authorized by a majority not interested in the transaction, such authority to be evidenced by the affirmative vote or written assent in those cases where the purchase price is different from the market price, as the gentleman will notice. So that in the ordinary case the bank is protected, because it is buying the securities just as anybody else is buying them, and the market determines the price. The bank is protected in the other case, because if a contingency should arise where it needed to buy something at a different price from somebody else to protect the interests of the bank, then it would be protected by requiring the written assent or majority vote of a majority of the bank directors not interested in the transaction, men who will not have any desire to help the seller of the securities, because there is nothing to come to them from the sale; and also protected by the requirement that in any case the Federal Reserve Board may require a full disclosure, and if there is anything of that kind that is the least bit suspicious I have no doubt that the Federal Reserve Board will require such disclosure. If that is not safeguarding it the committee does not know any reasonable method in which it can safeguard it.

Mr. JUUL. I will ask the gentleman if it is not tempting Director Brown to sell to-day, and Smith and Jones, who are not selling to-day, to vote with Brown? To-morrow the gentleman

who was selling to-day sits in his capacity as a director and passes on the transaction wherein another director comes in and wants to sell something.

Mr. PHELAN. I agree that anything is possible; but if you can conceive of men sitting on a board of directors and swapping back and forth in that way, when these men know that they have got to get a majority vote of the other directors, and know that the Federal Reserve Board in five minutes can order a disclosure of that thing, and if any underhanded business is going on will show them up to the whole world, then I think we might just as well not attempt to legislate on this matter. We have got to presume that men are going to be reasonably honest——

Mr. JUUL. The country from New York to San Francisco is strewn with the wrecks of banks whose directors have loaned funds to themselves and done that and sold securities to themselves that they never would have accepted from outsiders.

Mr. PHELAN. The difference has been that in those cases the men who have been doing it have been in the majority. Enough of the directors have been interested and have profited from it so that they would vote for it, whereas here the men who vote, or give their written assent, are men who receive no benefit except where the benefit is to the bank, and not from the sale. And moreover the transactions to which the gentleman refers have been done in such a way that they would not reach the public light until some time subsequently. But with the watch that the comptroller and the Federal Reserve Board will have upon these banks, and their power to order a full disclosure, I think there is no danger of what the gentleman anticipates.

Mr. WALSH. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. WALSH. The gentleman has given a very full explanation of the changes made in the law by this bill, and he may have answered the question that I am about to ask. I notice the rather unusual form of stating the first amendment in this measure, and I wondered why the other amendments were not stated in the same way. The committee set forth the language as it now stands in the act, and then the amendment as it will appear. They state the language that they strike out or amend, and the language as it will appear. In the second amendment, all that they set forth is the act as it is amended, as has been customary in the past. May I ask the reason for making the distinction between the first amendment and the various other sections that are amended?

Mr. PHELAN. That question is a pertinent one. My recollection as to the reason for that is this, that, if you will notice, in the other sections we could very positively identify what we wanted stricken out and what we wanted to put in place thereof, whereas in the first section of the amendment we are taking out something right in the middle of the section, not marked out as a subsection or as a section. We thought the easiest and most convenient way of indicating just what we wanted to strike out and just what we wanted to replace in place of what was stricken out was by doing it in this manner. For example, these words, page 1, line 7, "directors of class A and class B shall be chosen in the following manner," come right along in another section, without any different marks separating them in their particular section. In the second section it says "eleven (K)," and that identifies a particular subsection standing in the Federal reserve act all by itself. In the first section we could not very well identify it so closely, and hence we repeated the words of the present law.

Mr. WALSH. It will appear now, if this should become a law—the Federal reserve act will appear with this section repeated, the language amending it following it; a part of the amendment will be a repetition of the section as it is and as it is amended.

Mr. PHELAN. That all depends on how they publish the Federal reserve act.

Mr. WALSH. They will have to publish it as Congress passes it.

Mr. PHELAN. They will have to leave the section as it is, because there will be no authoritative issue of the laws until Congress passes a revised edition. As the statutes come out they will come out separately, as the gentleman knows. Mr. Speaker, how much time have I remaining?

The SPEAKER pro tempore. The gentleman has 12 minutes.

Mr. PHELAN. I want to reserve some part of my time. The next two sections, while long and complicated and I think extremely difficult to understand without some study yet in reality are very simple when it is understood what is done. They simply apply the existing law with reference to national banks to the Federal reserve banks. In other words, strange as it may seem, there is no statute law punishing officers or employees of the Federal reserve banks for overcertification of checks and other offenses. There is such a statute relative to national banks. We make these statutes which punish a man for committing the offenses enumerated while they are officers and employees of national banks apply to the officers and employees of Federal reserve banks. While there is a great deal of language in the sections, that is what is done.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. GREEN of Iowa. I note on page 15, after the recital on page 14, it makes it unlawful to certify checks not on deposit, and provides that anyone who shall certify a check before the amount thereof shall be regularly entered to the credit of the drawer upon the books of the bank, shall be deemed guilty of a misdemeanor. It seems to me it would be better to keep the form you have on the previous page and say unless the money is on deposit. For the reason that in large banks money is taken in at one counter and checked or drawn out at another, and yet it may not have been entered on the books of deposit.

Mr. PHELAN. That point is very well taken, and I think without any doubt if we had been writing the original law we might have written it differently. That provision is in the present law. It has been in the national bank law a great many years and no trouble has arisen, which seems to indicate that the Comptroller's Office, or whoever has the power, has construed that reasonably and fairly so that no one will be taken up simply because he has not made a bookkeeping entry except in regular course. I think the gentleman's point, however, is very well taken.

Mr. CANNON. But it is on the ticket of deposit.

Mr. PHELAN. They have interpreted it, I think, liberally.

Mr. TOWNER. Will the gentleman yield?

Mr. PHELAN. I will yield to the gentleman; but, as I said, I want a little time left.

Mr. McFADDEN. I am willing to yield to the gentleman 10 minutes.

The SPEAKER pro tempore. The gentleman from Pennsylvania has not been recognized, but the Chair, of course, will recognize him later.

Mr. WINGO. Let the gentleman from Massachusetts reserve the balance of his time and then let the gentleman from Pennsylvania be recognized.

Mr. PHELAN. Mr. Speaker, I reserve the balance of my time.

The SPEAKER pro tempore. The gentleman has 10 minutes remaining.

Mr. McFADDEN was recognized.

Mr. McFADDEN. Mr. Speaker, I yield 10 minutes of my time to the gentleman from Massachusetts [Mr. PHELAN] and reserve the balance of my time.

The SPEAKER pro tempore. The gentleman from Massachusetts is recognized for 20 minutes.

Mr. PHELAN. Now I will yield to the gentleman from Iowa.

Mr. TOWNER. I want to call the attention of the chairman of the committee to the form of this bill, to the matter that was spoken of by the gentleman's colleague from Massachusetts. I do not think I ever saw before a bill in this form, and I believe it would be very objectionable, in my judgment, if it passed in this form. Of course the only possible object of repeating the existing law in full is for the information of the committee in its deliberations. But now if this bill is enacted into law and should not be changed in the Senate, we will have a law amending an existing law in which the existing law will be recited in full and an amendment in the nature of a substitute will be stated in full. That is an anomaly in legislation. It ought not to be published in that way, and thus be set out in our Statutes at Large.

It would certainly be better before the bill is passed finally to state that the act is amended to read as follows—reciting the substitute enactment.

Mr. PHELAN. The only important thing is to make absolutely certain what we intend to do. We could reenact section 4 of the Federal reserve act, which would take more space and cause more confusion. The reason why we put it in this way I have already stated, to have it in such a way as to make it clear what change we intend to make.

Mr. MOORE of Pennsylvania. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. I yield to the gentleman from Pennsylvania.

Mr. MOORE of Pennsylvania. There are several penal clauses in the latter part of the bill.

Mr. PHELAN. Yes.

Mr. MOORE of Pennsylvania. Are they new?

Mr. PHELAN. I just explained, and probably the gentleman was not in the Chamber at the time.

Mr. MOORE of Pennsylvania. I was not sure that they were new.

Mr. PHELAN. We have applied the language of the national bank act relative to the punishment of officers and employees for certain offenses to the employees and officials of the Federal reserve banks. Under the existing law, for example, there is no statute providing for the punishment of an employee of a Federal reserve bank who overcertifies a bank check, and probably there is no law applying directly to the case of an employee of a Federal reserve bank who embezzles. We have simply applied those statutes of the national bank act to the officials and employees of Federal reserve banks.

Mr. MOORE of Pennsylvania. Those provisions were not included in the original Federal reserve act.

Mr. PHELAN. To apply to Federal reserve banks, they were not.

Mr. MOORE of Pennsylvania. Have such offenses arisen throughout the country as to give occasion for the enactment of this law?

Mr. PHELAN. I will say confidentially to the gentleman that there is a man now serving time about whose conviction there is considerable doubt as to whether or not they had any authority to put him in jail, just because of the lack of a provision of this kind.

Mr. MOORE of Pennsylvania. That answers the question. These changes are made necessary by reason of occurrences that have taken place since the enactment of the Federal reserve law?

Mr. PHELAN. Yes.

Mr. SIEGEL. Mr. Speaker, I wish the gentleman would return to section 7, on page 13, of the bill.

Mr. PHELAN. Yes.

Mr. SIEGEL. And now turn to page 9, section 5. Should not section 7 be section 6? Is not that a misprint?

Mr. PHELAN. Yes; that is.

Mr. SIEGEL. I suggest that that can be corrected by unanimous consent.

Mr. PHELAN. We can attend to that later on.

Mr. JUUL. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. Yes.

Mr. JUUL. I just want to ask the gentleman if he desires to make a correction in lines 22, 23, and 24, on page 16? The violation of the act is classified here as a misdemeanor, and yet it carries a penitentiary sentence of five years. Should not that be a felony?

Mr. PHELAN. I will say to the gentleman that that question was considered in the committee and there is a good deal of justification for the gentleman's suggestion, but we felt this way about it: That same thing applies to many of our Federal statutes, resulting in great confusion, and we felt, in view of that, that we better not make any change in existing law at this time; it might continue the debate and bring us into a great many difficulties, but we think that at some time or other our statutes ought to be gone over very carefully for the purpose of so amending them that that difficulty will be taken care of.

Mr. COOPER of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. PHELAN. Yes.

Mr. COOPER of Wisconsin. The point raised by the gentleman from Illinois [Mr. JUUL] is an important one, because of the discretion vested in the court by this bill. The gentleman will observe that the convicted person is to be fined not more than $5,000 nor imprisoned not more than five years. In some States in my State at least, the sentence of a year in the penitentiary is a sentence for a felony. A State prison incarceration for a year means conviction for a felony. If you call it a misdemeanor and leave it to a court to imprison for not more than five years, must he not imprison the convicted man for less than one year in order to make the sentence conform to the definition of a misdemeanor?

Mr. PHELAN. I doubt it.

Mr. COOPER of Wisconsin. These are interpreted in the light of the statutes of the State where the law is enforced in the Federal court.

Mr. PHELAN. I doubt if that would be done.

Mr. COOPER of Wisconsin. There ought to be no doubt about it, because a man who embezzles trust funds in a bank ought to go to the penitentiary for not less than five years.

Mr. PHELAN. I agree with the gentleman that it is an important question, but in trying to pass bank amendments we did not want to get into a question which applies not only to this but to many other statutes adopted by Congress.

Mr. COOPER of Wisconsin. Why not strike out the word "misdemeanor" and leave in the language "shall be fined not more than $5,000 or imprisoned more than one year"?

Mr. PHELAN. We have tried to reenact existing law. We do not want to get into that question now, and we have thought it better some time later to endeavor to go over these statutes.

Mr. COOPER of Wisconsin. We are proposing to enact a penal statute right here, as far as this particular provision is concerned. Why not make it exact and do away with any ambiguity; just strike out the word "misdemeanor" and leave in the language "shall be fined not more than $5,000 or imprisoned more than one year."

Mr. PHELAN. I reserve the remainder of my time.

Mr. MADDEN. Mr. Speaker, I make the point of order that there is no quorum present.

The SPEAKER pro tempore. The gentleman from Illinois makes the point of order that there is no quorum present. Evidently there is not.

Mr. KITCHIN. Mr. Speaker, I make a call of the House.

The motion was agreed to.

The SPEAKER pro tempore. The Doorkeeper will close the doors, and the Sergeant at Arms will notify absentees, and the Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

Anderson	Fairchild, G. W.	Kearns	Rowland
Anthony	Flynn	Kelley, Mich.	Rubey
Austin	Foster	Kennedy, R. I.	Rucker
Beshlin	Frear	Kettner	Sanders, La.
Brodbeck	Gallagher	King	Sanders, N. Y.
Brumbaugh	Gallivan	Kinkaid	Saunders, Va.
Buchanan	Gandy	Kreider	Scott, Iowa
Butler	Garland	LaGuardia	Scott, Pa.
Caldwell	Glass	Lehlbach	Scully
Campbell, Kans.	Godwin, N. C.	Lesher	Sells
Candler, Miss.	Graham, Pa.	Lever	Shackleford
Carew	Gray, Ala.	Lunn	Sherley
Carter, Mass.	Gray, N. J.	McArthur	Shouse
Chandler, N. Y.	Green, Iowa	McClintic	Slemp
Church	Greene, Vt.	McCormick	Small
Clark, Fla.	Gregg	McCulloch	Smith, Idaho
Clark, Pa.	Griest	McLaughlin, Mich.	Snell
Cooper, Ohio	Griffin	McLaughlin, Pa.	Steenerson
Copley	Hamill	Mann	Stephens, Nebr.
Costello	Hamilton, N. Y.	Martin	Strong
Crago	Haugen	Meeker	Sullivan
Curry, Cal.	Hayes	Merritt	Sumners
Dale, N. Y.	Heaton	Mondell	Swift
Davidson	Heflin	Mudd	Switzer
Decker	Heintz	Nicholls, S. C.	Taylor, Colo.
Denison	Hicks	Nichols, Mich.	Templeton
Dewalt	Hood	Norton	Thompson
Dill	Houston	Oliver, N. Y.	Tinkham
Dixon	Howard	Porter	Vare
Dooling	Hull, Iowa	Pou	Venable
Doremus	Humphreys	Powers	Voigt
Drukker	Hutchinson	Price	Ward
Dupré	Igoe	Purnell	Wason
Dyer	Jacoway	Ragsdale	Watson, Pa.
Eagan	James	Rainey, H. T.	Webb
Edmonds	Johnson, S. Dak.	Rankin	Wheeler
Estopinal	Jones	Riordan	Wright
Evans	Kahn	Rodenberg	Young, N. Dak.

The SPEAKER pro tempore. Two hundred and seventy-seven Members have answered to their names; a quorum is present.

Mr. KITCHIN. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The SPEAKER pro tempore. The Doorkeeper will unlock the doors.

Mr. McFADDEN. Mr. Speaker, I do not want to go into a long discussion of this measure, because the gentleman from Massachusetts [Mr. PHELAN], who has charge of the bill, has made a very careful detailed statement covering the various sections of this measure. I would, however, like to make a few observations in regard to the Federal reserve act and the reason for these amendments. We have heard ever since the passage of the Federal reserve act, those of us who are on this side of the House, that that act was a perfect instrument, but from my knowledge and experience here in the House for three years we have been continually amending this so-called perfect act, until now there are pending in the various committees probably thirty-odd amendments, which would therefore seem to prove beyond all question that the Federal reserve act was not a perfect act. So far as these special amendments are concerned, the first amendment corrects an error in the law actually worked out in its operation. I heartily approve of this, because I do not believe that the same men who control large banks should also control the actions of the smaller banks. In the formation of the Federal reserve act you will all remember that the banks were classified into groups—the large banks in a group, the medium-sized banks and the small banks into two separate groups, and each of these three classes of banks were to have representation on the regional board of directors. This act corrects an error which has developed in that law in the

selection of directors. Section 2 attempts to correct a flaw in the original enactment of the Federal reserve act. One might think from the discussion which has taken place here to-day that this section 2 is an entirely new provision. That is not so. These powers were intended to be extended to member banks in the original act, and this is only a modification because of the objections which were raised by the State banks and trust companies. This matter was taken into the courts and has been tested out. The enactment of this section into the law finally in the Supreme Court will permit these banks to have the powers which were originally intended in the Federal reserve act. I believe that if it did have for its purpose the driving out of business the State banks and trust companies, and would place them under the Federal Reserve System, that that would be a strong argument for the enactment of this section. I do not think, however, that is the case. I do not believe that it will so work out. Now, so far as the other sections of this bill are concerned, they are merely correcting various phases of the present law that are necessary to make it workable, and I do not care to discuss them. I am therefore going to yield 10 minutes to the gentleman from Pennsylvania [Mr. MOORE].

Mr. MOORE of Pennsylvania. Mr. Speaker, I am glad the gentleman from Pennsylvania [Mr. MCFADDEN], who is acting this afternoon as the ranking member of the minority on this bill, has made his clear statement about "the perfect act" we are now amending. When the Federal reserve act was passed it was generally announced that it was "a perfect piece of constructive legislation." That was widely commented upon during the last campaign. It has tended, it is true, to bring the various banking forces of the country together into a sort of central bank, which the party in power had previously denounced, but people believed that it was a good piece of legislation, and due credit was given to those who originated it and brought it into effect. But it is true also that that act has been amended from time to time. Experience is a great teacher. Experience has shown that in some instances this so-called perfect piece of legislation has not been so perfect as its authors believed it to be. It appears from the amendments that we are asked to adopt to-day that there were certain oversights not hitherto caught up with in previous amendments to the act, as, for instance, the penal clause relating to the use of certified checks——

Mr. ROSE. Will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. ROSE. I would like to know whether this present act takes away or attempts to take away any of the rights enjoyed by the trust companies under State banking laws?

Mr. MOORE of Pennsylvania. It certainly does, and as soon as I get through with one or two suggestions about the things which were overlooked in the original Federal reserve act——

Mr. FOCHT. Will the gentleman permit?

Mr. MOORE of Pennsylvania (continuing). I shall be glad to revert to this trust-company question.

Mr. FOCHT. Reverting to the genesis of this act, I would like to have the gentleman say something as to the relationship of Senator Aldrich, whether the Democratic Party did not take up the bill where Senator Aldrich left off, and is responsible for the necessity of these amendments?

Mr. MOORE of Pennsylvania. Well, I have steadfastly refused to discuss politics during these strenuous war times [laughter], but I am inclined to think that the so-called Vreeland-Aldrich law was a very able forerunner for the Federal reserve act and afforded very great relief in strenuous financial times, now happily past. But, of course, the Vreeland-Aldrich Act was "an offensive partisan" measure, which it was necessary should be supplanted by "a perfectly nonpartisan" financial measure, which the present Federal reserve act is represented to be.

Mr. SLOAN. The large outstanding fact of the proposed Aldrich-Vreeland Act was a central bank, was it not?

Mr. MOORE of Pennsylvania. The Vreeland-Aldrich Act did not contemplate a central bank. It was intended to relieve a situation of financial stress, and when brought into full force and effect by an administration whose champions had vigorously and bitterly opposed it, it did prove effective—a sort of life-saver.

Mr. SLOAN. As I understand, you are speaking of one part of the Aldrich-Vreeland Act, but I referred to the Aldrich-Vreeland system of banks which had for its principal feature the central bank.

Mr. MOORE of Pennsylvania. I decline to go into the matter of politics, even at the suggestion of my friend from Nebraska, and must confine myself to the financial phases of this bill.

Mr. SLOAN. The gentleman has always kept out of politics, but I thought to-day he might let me in.

Mr. MOORE of Pennsylvania. I will ask the gentleman from Nebraska, who is coming very rapidly to higher honors in his great State, if he knows that when we passed the Federal reserve act we omitted punishment for an officer of a bank who might grant a gratuity to a bank examiner?

Mr. SLOAN. I did not know that. I thought with a perfect system we would have perfect men.

Mr. MOORE of Pennsylvania. If the gentleman did not know that, I will inform him that we are catching up with that oversight, which occurred when we passed the Federal reserve act.

Mr. SNYDER. Mr. Chairman——

Mr. MOORE of Pennsylvania. I will ask the gentleman from New York [Mr. SNYDER] if he was aware when we passed the Federal reserve act that we made no provision for the punishment of those who might improperly and unlawfully permit the issue of certified checks? Did the gentleman know that?

Mr. SNYDER. I do not recall that.

Mr. MOORE of Pennsylvania. I will inform the gentleman from New York, who is usually well versed in financial matters and does not dabble in politics, that we are correcting that now.

Mr. SNYDER. I want to ask the gentleman if he recalls that when the war originally broke out and the money stringency came on that the Aldrich-Vreeland Act was used to the extent of issuing $375,000,000 of currency?

Mr. MOORE of Pennsylvania. I will not subscribe to the exact figures stated by the gentleman, but I believe the gentleman's recollection is absolutely correct when he infers that when the Democratic Party was in great stress over a probable financial stringency in the United States—some time before the war—it resorted with alacrity, with avidity, I might say, and without regard to politics, to the Vreeland-Aldrich Act to relieve the situation.

Mr. SNYDER. I just wanted to call the gentleman's attention to that in passing.

Mr. MOORE of Pennsylvania. I am going to ask the gentleman, so long as he is on his feet, if he is aware that when we passed the Federal reserve act no provision was made for the punishment of a Federal reserve agent or of a Federal reserve board that permitted the misplacement or abstraction or willful misapplication of moneys, funds, or securities intrusted to their care?

Mr. SNYDER. I am not familiar with that.

Mr. MOORE of Pennsylvania. There are lots of things the gentleman from New York and some others of us evidently have not caught up with. I am only advising the gentleman from Nebraska and the gentleman from New York and other gentlemen who are inquiring about this bill that we are now going through the process of perfecting a perfect bill; that we are now, through the happy auspices of the eloquent and assiduous gentleman from Massachusetts [Mr. PHELAN], who heads the committee to-day, catching up with those things we overlooked in those good old days when we did talk politics.

There is one thing in this bill, however, to which I wish to call attention, and that is section 2, which proposes to give to the Federal reserve banks all the rights and privileges that trust companies now enjoy under the laws of a State; and I say to the gentleman from Massachusetts that that section will have a serious effect upon the trust companies of Pennsylvania. Some reference has been made to those of New York, I think——

Mr. WINGO. Will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. WINGO. Does the gentleman understand we granted authority for the purpose of doing business under this act beyond that which exists in the present law?

Mr. MOORE of Pennsylvania. No; but I think the gentleman is setting up the Federal banks here to absorb the business that is now done by well-established trust companies in the State of Pennsylvania.

Mr. WINGO. We do that under existing law.

Mr. MOORE of Pennsylvania. I do not know why it should be emphasized in this bill, unless it is another case of perfecting the Federal reserve act.

Mr. COOPER of Wisconsin. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I will.

Mr. COOPER of Wisconsin. Is it not now the law that a trust company can enter the Federal Reserve System?

Mr. MOORE of Pennsylvania. I so understand it.

Mr. COOPER of Wisconsin. And some of them avail themselves of that.

Mr. MOORE of Pennsylvania. And some of them do not. I do not know why when a national bank has not been permitted

to become a trustee, or executor, or guardian, or a number of other things, and a trust company has been organized in good faith to give the public that service, and has made good, that the Federal reserve bank should come along and say: "Now that you are successful, we will absorb what you have done and take over your business." That is not a fair proposition, but it is the situation here.

Mr. ROSE. In the statement made a short time ago, you said that this bill would take away the rights of the trust companies.

Mr. MOORE of Pennsylvania. To a certain extent, yes; it competes with the trust companies and gives the Federal banks the right to absorb their business.

Mr. ROSE. It opens up competition.

Mr. MOORE of Pennsylvania. It undoubtedly does, and will put the Federal banks into the trust-company business.

But there is another objection to it, and I would like my friends on the other side to understand this objection: If there ever was any justification for Andrew Jackson's complaint against a central bank there is certainly justification to-day for the suggestion that by reason of the gradual absorption of business by the Federal Reserve System, the taking over of State banks, trust companies, and so forth, through the Federal Reserve System, there will be created what in effect will be the most powerful central bank that ever existed. I do not know whether that is the purpose of the bill, but it contributes to it.

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has expired.

Mr. MADDEN. Mr. Speaker, I make the point of order that there is no quorum present.

The SPEAKER pro tempore. The gentleman from Illinois makes the point that there is no quorum present. It is evident that there is no quorum present.

Mr. KITCHIN. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The SPEAKER pro tempore. The Doorkeeper will close the doors, the Sergeant at Arms will notify the absentees, and the Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

Anderson	Gallagher	Lever	Saunders, Va.
Anthony	Gallivan	Lunn	Scott, Iowa
Austin	Gandy	McArthur	Scott, Pa.
Barnhart	Glass	McClintic	Scully
Beshlin	Glynn	McCormick	Sells
Booher	Godwin, N. C.	McCulloch	Shackleford
Brand	Graham, Ill.	McLaughlin, Mich.	Sherley
Brodbeck	Graham, Pa.	McLaughlin, Pa.	Shouse
Brumbaugh	Gray, Ala.	Mann	Sims
Buchanan	Gray, N. J.	Martin	Slemp
Butler	Green, Iowa	Meeker	Small
Caldwell	Greene, Vt.	Merritt	Smith, Idaho
Carew	Gregg	Mondell	Smith, C. B.
Carter, Mass.	Griest	Morin	Snell
Chandler, N. Y.	Griffin	Mott	Steenerson
Clark, Fla.	Hamill	Mudd	Stephens, Nebr.
Clark, Pa.	Hamilton, N. Y.	Nicholls, S. C.	Stiness
Cooper, Ohio	Harrison, Miss.	Nichols, Mich.	Strong
Copley	Haugen	Norton	Sullivan
Costello	Heaton	Oliver, N. Y.	Sumners
Curry, Cal.	Heflin	Osborne	Switzer
Dale, N. Y.	Heintz	Parker, N. J.	Tempie
Davidson	Hicks	Platt	Templeton
Denison	Hood	Porter	Thompson
Dent	Howard	Pou	Timberlake
Dewalt	Humphreys	Powers	Tinkham
Dooling	Hutchinson	Price	Vare
Doremus	James	Purnell	Venable
Drukker	Johnson, S. Dak.	Rainey, H. T.	Voigt
Dupré	Jones	Rankin	Wason
Dyer	Kahn	Reavis	Watson, Pa.
Eagan	Kearns	Riordan	Watson, Va.
Edmonds	Kelley, Mich.	Robinson	Weaver
Estopinal	Kennedy, R. I.	Rodenberg	Wilson, Ill.
Evans	Kettner	Rowland	Winslow
Fairchild, B. L.	King	Rubey	Wright
Fairchild, G. W.	Kinkaid	Rucker	Young, N. Dak.
Flynn	Kreider	Sanders, La.	
Foster	LaGuardia	Sanders, N. Y.	
Frear	Langley	Sanford	

The SPEAKER pro tempore. Two hundred and seventy-two Members have answered to their names, a quorum.

Mr. KITCHIN. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The SPEAKER pro tempore. The Doorkeeper will open the doors.

Mr. McFADDEN. Mr. Speaker, I yield 10 minutes to the gentleman from Pennsylvania [Mr. ROBBINS].

The SPEAKER pro tempore. The gentleman from Pennsylvania is recognized for 10 minutes.

Mr. ROBBINS. Mr. Speaker and gentlemen of the committee, I am delighted to have so large an audience here this afternoon to hear the discussion of this proposed amendment of the Federal reserve banking law.

I want to oppose very vigorously the enactment of section 2 of this bill. The Federal reserve banking act, which was passed in 1914 and amended down as late as June 21, 1917, provides in section 11, clause (k)—

> To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.

That is the clause I want to call to your attention. This present bill now proposes to amend the Federal reserve bank act, and in section 2 of this bill, on page 4, line 25, it adds to the provision that I have just read these words:

> Guardian of estates, assignee, receiver, committee of estate of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

Then follow, gentlemen of the committee, more than two pages and a half of provisions, practically three pages of provisions, for the operation and regulation of a complete system of trust accounts and investments, with penal provisions for the violation of these requirements under this provision, showing clearly that it is the intention of this bill and those who are advocating it to confer upon national banks the complete power to act as trust companies are now authorized to do when acting as trustees, committees, and so forth, and also to give bond and act in "any other fiduciary capacity" without any restriction whatever.

Now, those of us who have in our respective States a well-defined system of trust companies that have been organized under existing law must necessarily be confronted with a problem as to how this is going to affect our home situation and the present amicable relations existing between the banks and trust companies. Speaking for the State of Pennsylvania, from which I come and, in part, have the honor to represent here, and knowing something about its banking laws and the practical operation of its banks, both National, State, and trust companies, because we have in that State four well-defined systems of banking—national banks, trust companies, State banks, and private banks—I may remark that the State banks, trust companies, and private banks are all examined by examiners working under the authority of the State of Pennsylvania—examined every four months. The national banks, of course, are examined by the national-bank examiners under the jurisdiction of the United States. In 1885 and subsequently, by various statutes, we created in our State a system of trust companies, the last general law being approved on June 11, 1885, Public Law 451. These trust companies are empowered to act as guardians, receivers, insure titles, and act as committees of lunacy, guardians, and so forth, and to act in other fiduciary relations, including those of bondsmen in our orphans' and common pleas courts. But all those trust institutions, gentlemen of the committee, are under the control of the particular court which appoints them. If a trust company is in the orphans' court, as in the case of the settlement of an estate by an administrator or an executor, it is required to file accounts, which are examined in the orphans' court by an auditor appointed for that purpose. It is compelled to go into court and render an account to the court of any trust funds in its hands, and these funds can be invested only under the direction of the court. If these trust companies are acting as committees of lunacy, they are subject to the jurisdiction of our court of common pleas, and they are bound to go into court for permission and approval of every act which they commit in the discharge of that trust, and at the expiration of the trust they must file an account, and it is audited and disposed of in that court by due process of law.

Here you propose to put the national banks in the situation of these trust companies, with full power and authority to perform all these acts. No State court will have sufficient jurisdiction over these national banks because they are institutions created by Federal statute.

Mr. McFADDEN. Will the gentleman yield?

Mr. ROBBINS. I yield to the gentleman.

Mr. McFADDEN. I want to ask the gentleman if he is not aware that at the present time this right is given in the national-bank law and that in many States of the Union national banks exercise this right at the present time? The reason for modifying the act in this form is because the trust companies and State banks objected to these rights, and the matter was carried up to the Supreme Court of the United States, and this legislation is in conformity with a decision of the Supreme Court.

Mr. ROBBINS. Yes; in the beginning of my remarks I read these very words in the Federal reserve bank act, which confers the power that the national banks now have authority to exercise. But the Supreme Court of the United States in Two hundred and forty-fourth United States Reports, page 516, in

the case of the National Bank of Bay City, Mich., against Fellows, passed upon this clause (k) of section 11 of the Federal reserve act, which this bill now proposes to amend, and the court held, which will be of interest to the lawyers of this House:

A business not inherently such—

I quote from the syllabus, which is a brief statement of the law as it is adjudicated in the case, the decision being quite a long one—

that Congress may empower banks to engage in it may nevertheless become appropriate to their functions if, by State law, State banking corporations, trust companies, or other rivals of national banks are permitted to carry it on.

Further on the court, in passing on section 11, clause (k), says of the act of December 23, 1913, establishing the Federal Reserve Board, as follows:

To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe, is, as here construed, a valid exercise of the power of Congress. The section authorizes the specified functions to be exercised by national banks when the right to perform them is given by State law, or is deducible therefrom through being so conferred on State banks or corporations whose business in some degree rivals that of national banks; and it gives administrative power to the Reserve Board as a means of coordinating such functions, in their exercise by national banks, with the reasonable and nondiscriminating provisions of State law regulating their exercise as to State corporations.

That section confers certain limited powers on national banks, but it does not allow them to become trustees, executors, bondsmen, or receivers, or "act in any other fiduciary capacity." It does not allow them to enter indiscriminately into the field that has heretofore been given over to trust companies exclusively, in my State at least, and, I believe, in every other State of this Union.

Mr. ROSE. Will the gentleman yield?

Mr. ROBBINS. I yield to the gentleman.

Mr. ROSE. What is the gentleman's judgment as to this question: If this bill should pass, would not the national banks come under the same laws as to examining and filing accounts in court and having them passed on by auditors as trust companies now do?

Mr. ROBBINS. Not without further legislation of Congress. The State courts are very jealous and careful and exceedingly cautious about invading the field occupied by national banks, and I know that in the State of Pennsylvania they never do.

Mr. PHELAN. The gentleman does not mean that the courts could not require the same rendering of accounts that is required under State law?

Mr. ROBBINS. I will say this, from my experience in the courts of common pleas, the orphans' court of the State of Pennsylvania, and the quarter sessions courts—and I have had some experience in them—they will not invade the province of the national banks, because they are created by act of Congress, and are answerable to the Federal courts, and are exclusively in the Federal jurisdiction, either criminal or civil. The State courts are very careful not to invade that jurisdiction.

Mr. STEVENSON. Did the gentleman overlook lines 18 to 21 on page 5 of this bill?

Mr. ROBBINS. Not at all. These lines contain an express limitation restricting the examination to be made.

Mr. STEVENSON. Those lines provide that—

Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers.

Mr. ROBBINS. I have read that section, but it does not give the authority to our local courts. I think that refers to a bank examiner and provides that he may go in there and examine these accounts only so far as trust funds under State jurisdiction are concerned, and grants no authority should such permission be withheld.

Now, let us look at the practical situation should this legislation be enacted and enforced in Pennsylvania. During the last 30 years in Pennsylvania we have developed great trust companies, because before the general act of 1885 was passed we chartered these companies in Pennsylvania by special legislation and they enjoyed special privileges, like the company for insurance of lives and granting annuities, in Philadelphia. Our trust companies incorporated under our general law have grown up into strong financial institutions, like the Union Trust Co. in the city of Pittsburgh, whose capital and surplus amount to more than $34,000,000. This bill does not preserve these institutions when they exist under special statutes conferring special franchises or under general law and possess general powers.

Now, gentlemen, why not frankly state the real purpose of this bill? Why not strip the mask off of it and be honest about it? Your purpose here is to force these trust companies into the Federal Reserve System. That is what you intend to do, and it will affect more or less the special privileges and franchises that these companies hold and enjoy, under which they have been doing business in many instances for more than half a century, some of them, and will affect the rights that they have already acquired and have long enjoyed under the laws of our State. I object to this. There is no necessity for it. The banks and trust companies in Pennsylvania have grown up side by side and are serving our people harmoniously and peacefully. Neither one of them is demanding this legislation. No national bank is here complaining that its rights are to be restricted or invaded. No trust company is here complaining that the national banks are impinging upon its rights or encroaching on its business. The situation has developed in my State to the entire satisfaction of all our financial institutions, gentlemen, and I ask you to think about it seriously before you force this legislation upon our banks and trust companies.

In some cases an ownership has developed by which the trust companies own the banks, and in other cases by which the banks own the trust companies. There is no quarrel among them. They act in harmony. One supplements the other, and in that great Commonwealth they transact the business of our people in perfect harmony and to the perfect satisfaction of all of their constituency. Now you are about to drag into this law a proposed amendment whereby you confer upon the national banks these extraordinary powers, under the guise of an amendment to the Federal banking law, which is an unnecessary and an unwise thing to do. Why do you not bring it in here as an amendment to the national banking law in such a way that it can be considered squarely on its own merits, and give us a chance to discuss it and consider it, instead of dragging it in here under a sort of subterfuge, as an amendment to the Federal reserve act, tied up with other amendments that may drag this vicious proposition through, for a purpose that is not fair and that is partially concealed? The real purpose of this provision is simply to force these trust companies into the Federal Reserve System willy-nilly, whether they wish it or not. I protest against it as unfair to the trust companies and financial interests of my State of Pennsylvania and as vicious and unnecessary legislation.

Mr. McFADDEN. Mr. Speaker, how much time have I remaining?

The SPEAKER. The gentleman has 20 minutes remaining.

Mr. McFADDEN. I do not know that I care to use any more of my time.

Mr. PHELAN. Inasmuch as the gentleman from Pennsylvania does not want to use any more time, I move the previous question on the bill and amendments to final passage.

Mr. MOORE of Pennsylvania. A parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state it.

Mr. MOORE of Pennsylvania. If that motion prevails, will that preclude the right to offer amendments?

The SPEAKER pro tempore. If there are any amendments pending in the bill they will be voted upon, but if no amendments are pending, and the previous question is ordered, no further amendments can be offered.

Mr. MOORE of Pennsylvania. It was my desire to move to strike out section 2, which brings the trust companies within the scope of this bill. Will I be precluded from making that motion?

The SPEAKER pro tempore. The gentleman will be precluded from offering an amendment to the bill except by a motion to recommit.

Mr. MOORE of Pennsylvania. Would it be in order for me to make that motion now?

The SPEAKER pro tempore. Not after the gentleman has moved the previous question.

Mr. MOORE of Pennsylvania. Would it be in order now to ask the gentleman from Massachusetts if he would permit a motion to be made to strike out section 2 before he insists on the previous question?

The SPEAKER pro tempore. The Chair thinks that is not a parliamentary inquiry.

Mr. MOORE of Pennsylvania. I admit that it is a little far-fetched.

Mr. STAFFORD. A parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state it.

Mr. STAFFORD. The gentleman from Pennsylvania [Mr. McFADDEN], having more time, would it be his privilege to yield to the gentleman from Pennsylvania for the purpose of offering an amendment?

The SPEAKER pro tempore. No; for two reasons. The gentleman from Pennsylvania, having time for debate, can yield

it for debate, but if he yields for an amendment he loses the floor. Another reason, the gentleman from Pennsylvania, who had the floor, surrendered the balance of his time when the gentleman from Massachusetts took the floor and moved the previous question.

Mr. STAFFORD. If the gentleman from Pennsylvania had not yielded the floor, the ruling of the Chair would be that he could yield to the gentleman from Pennsylvania for the purpose of offering an amendment?

Mr. MOORE of Pennsylvania. Did not the Speaker—not the present occupant of the chair—but the Speaker of the House, during the earlier stages of the discussion of this bill, with the knowledge and approval of the gentleman from Massachusetts, say that there would be opportunity to offer amendments to the bill?

Mr. WINGO and Mr. GARNER. Regular order!

Mr. WALSH. Mr. Speaker, I make a point of order that no quorum is present.

The SPEAKER pro tempore. The gentleman from Massachusetts makes the point of order that no quorum is present, and the Chair will count. [After counting.] One hundred and fifty-one Members present, not a quorum.

Mr. KITCHIN. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The doors were closed, the Sergeant at Arms directed to notify the absentees, the Clerk called the roll, and the following Members failed to answer to their names:

Anderson	Flood	LaGuardia	Saunders, Va.
Anthony	Flynn	Lever	Scott, Iowa
Austin	Focht	Linthicum	Scott, Pa.
Beshlin	Foster	Lunn	Scully
Booher	Freeman	McClintic	Sears
Brand	Gallagher	McCormick	Shackleford
Brumbaugh	Gallivan	McCulloch	Sherley
Buchanan	Glass	McLaughlin, Mich.	Shouse
Butler	Godwin, N. C.	McLaughlin, Pa.	Slemp
Byrns, Tenn.	Goodall	Mann	Small
Caldwell	Graham, Ill.	Martin	Smith, Idaho
Campbell, Pa.	Graham, Pa.	Meeker	Smith, Chas. B.
Candler, Miss.	Gray, Ala.	Merritt	Snell
Carew	Gray, N. J.	Mondell	Snyder
Chandler, N. Y.	Green, Iowa	Montague	Steenerson
Church	Greene, Vt.	Morin	Stephens, Nebr.
Clark, Fla.	Gregg	Mott	Stiness
Clark, Pa.	Griest	Mudd	Strong
Collier	Griffin	Nelson	Sullivan
Connelly, Kans.	Hamill	Nichols, Mich.	Sumners
Cooper, Ohio	Hamilton, N. Y.	Norton	Switzer
Copley	Haugen	Oliver, N. Y.	Taylor, Colo.
Costello	Heaton	Olney	Templeton
Cramton	Heflin	Overstreet	Thompson
Curry, Cal.	Heintz	Parker, N. J.	Timberlake
Dale, N. Y.	Hicks	Porter	Tinkham
Davidson	Hood	Powers	Towner
Decker	Howard	Price	Vare
Denison	Hutchinson	Purnell	Venable
Dent	Igoe	Rainey, Henry T.	Voigt
Dewalt	Jacoway	Rankin	Walker
Dooling	James	Riordan	Wason
Drukker	Johnson, S. Dak.	Roberts	Watson, Pa.
Dupré	Jones	Robinson	Watson, Va.
Dyer	Kahn	Rodenberg	Webb
Eagan	Kearns	Rowland	Whaley
Edmonds	Kelley, Mich.	Rubey	Wilson, Ill.
Estopinal	Kennedy, R. I.	Rucker	Winslow
Evans	Kettner	Sanders, La.	Wright
Fairchild, B. L.	King	Sanders, N. Y.	Young, N. Dak.
Fairchild, G. W.	Kreider	Sanford	

The SPEAKER pro tempore. Two hundred and sixty-six Members have answered to their names on this call, a quorum.

Mr. KITCHIN. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The doors were opened.

The SPEAKER pro tempore. The question is on the motion of the gentleman from Massachusetts to order the previous question on the bill and amendments to final passage.

The previous question was ordered.

The SPEAKER pro tempore. No amendments are pending. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. MOORE of Pennsylvania. Mr. Speaker, I move to recommit, and send the motion to the desk and ask to have it read.

The Clerk read as follows:

Mr. MOORE of Pennsylvania moves to recommit the bill H. R. 11283 to the Committee on Banking and Currency, with instructions to report the same forthwith with an amendment striking out section 2.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. MOORE of Pennsylvania) there were—ayes 28, noes 117.

So the motion to recommit was rejected.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken, and the bill was passed.

On motion of Mr. PHELAN, a motion to reconsider the vote by which the bill was passed was laid on the table.

PAYMENT OF INCOME AND EXCESS-PROFITS TAXES.

Mr. BARNHART. Mr. Speaker, I ask unanimous consent to insert in the CONGRESSIONAL RECORD a letter from the Commissioner of Internal Revenue relative to permission to pay income and excess-profits taxes in advance. Some weeks ago I received a letter from the commissioner in which he set forth that such might be done, and I replied by saying that I had been informed that some revenue collectors had refused to accept partial payments—installment payments.

Mr. TREADWAY. Mr. Speaker, will the gentleman yield?

Mr. BARNHART. In a moment. I wrote him to that effect, and I have a reply setting forth that the department on receipt of that letter had issued a circular letter to all internal-revenue collectors carrying instructions to accept partial payments. I ask unanimous consent to insert both the letter and the circular order in the RECORD.

Mr. MADDEN. Mr. Speaker, reserving the right to object, I know personally of a case where a collector in an Indiana district refused to accept the payment of $12,500.

Mr. BARNHART. So do I, and that is the reason why I wrote the commissioner; and I have the reply saying that the revenue collectors have all been instructed to accept installment payments.

Mr. MADDEN. Of course, it is not any favor to be permitted to pay in advance.

The SPEAKER pro tempore. All this debate is by unanimous consent.

Mr. MADDEN. Yes; I am reserving the right to object. What does the Commissioner of Internal Revenue say to the possibility of getting an opportunity afforded to people to be permitted to pay their taxes in installments after the date they become due?

Mr. BARNHART. I inquired about that by telephone, and the commissioner said that he had no legal authority to permit taxes to become delinquent; he could not do that; he could only act as directed by law; but he states that the excess-profits and the internal-revenue taxes may be paid in installments in advance just as we pay our local, State, and county taxes, all within the fiscal year, in two installments. At least we do that in Indiana, and I think you do in Illinois.

Mr. MADDEN. No; we always pay in one sum.

Mr. BARNHART. You pay within the fiscal year, but the department says that unless there is some enactment to the contrary that the collectors have no alternative except to consider the taxes delinquent after the time fixed at the end of the fiscal year, which closes, as I understand, on the 1st of July.

Mr. MADDEN. As far as I have been able to ascertain, there is no disposition on the part of the Congress to embarrass the department, but I feel quite sure if the department would indicate that it has no objection to the division of the payment into quarterly or half yearly installments we would be able to get legislation.

Mr. BARNHART. That is what is indicated in this communication.

The SPEAKER pro tempore. Is there objection?

Mr. TREADWAY. Mr. Speaker, reserving the right to object, is not this a matter of great interest to all Members of the House? We have all been importuned to see if something can not be done about the paying by installment of the excess-profits taxes. I understand the gentleman makes the request that this letter be inserted in the RECORD. Is it not of sufficient interest to the membership of the House here present to have it read by the Clerk at this time rather than insert it in the RECORD?

Mr. STAFFORD. Mr. Speaker, the letter referred to relates only to the paying of present taxes in advance and not in deferred payments. I understand a letter has been addressed by the Commissioner of Internal Revenue to the gentleman from Pennsylvania [Mr. MCFADDEN] with respect to the matter of deferred payments.

Mr. TREADWAY. I ask that the gentleman modify——

Mr. BLACK and Mr. SHALLENBERGER. Regular order, Mr. Speaker.

The SPEAKER pro tempore. The regular order is demanded, and the regular order is, Is there objection to the request of the gentleman from Indiana to extend his remarks in the RECORD by inserting the letter indicated?

Mr. McFADDEN. Mr. Speaker, reserving the right to object——

SEVERAL MEMBERS. Regular order!

The SPEAKER pro tempore. Is there objection to the request? [After a pause.] The Chair hears none, and it is so ordered.

The letter is as follows:

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, April 22, 1918.

Hon. H. A. BARNHART,
House of Representatives, Washington, D. C.

MY DEAR MR. BARNHART: Receipt is acknowledged of your letter of the 17th instant, in which you make reference to a statement contained in a letter from this office that there will be no objection to making payment of income and excess-profits taxes by installments, provided such payment is made in advance. You state that you are receiving information that when partial payments are offered to collectors of internal revenue they are refused, and in view of the fact that you have advised taxpayers that installment payments will be accepted provided they are made in advance you wish to be advised what reply should be made to those taxpayers whose tenders of advance payments are refused by collectors.

In reply, you are informed that as soon as the attention of this office was called to the fact that collectors of internal revenue were refusing to accept advance payments of income and excess-profits taxes, a mimeographed letter (copy herewith) was addressed to collectors of internal revenue, which letter will, without doubt, result in the acceptance of all partial payments of taxes made in advance by taxpayers.

Sincerely, yours,

DANIEL C. ROPER, *Commissioner.*

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, April 12, 1918.

To collectors of internal revenue:

It has come to the attention of this office that some collectors have been refusing to accept advance payments on income and excess-profits taxes from individuals and corporations when payment has been tendered subsequent to the filing of the return, but prior to the issuance of notice of assessment.

Collectors should accept, up to the due date of the tax, advance payments in whole or in part of the tax shown on the return. Of course, no discount is permissible on partial payments unless made in accordance with section 1009 of the act of October 3, 1917.

In this connection, special attention is called to article 40, Regulations No. 33, Revised, and the detailed instructions contained in T. D. 2622, amended by T. D.'s 2674 and 2695. Taxpayers have a right to take advantage of the discount at the rate of 3 per cent per annum, if payment is made in accordance with section 1009 and with the Treasury decisions referred to on or before May 15, 1918.

Proper record should be maintained of payments received under the above-named conditions in order that notation may be entered later on assessment lists upon their return from Washington.

Each notice of assessment hereafter sent to taxpayers will be accompanied by a copy of the attached form letter, in the hope that taxpayers will be encouraged to assist in relieving the congestion which will result on June 15.

DANIEL C. ROPER, *Commissioner.*

LEAVE OF ABSENCE.

By unanimous consent, Mr. HOWARD was granted leave of absence for two days, on account of illness.

ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 57 minutes p. m.) the House adjourned until to-morrow, Thursday, April 25, 1918, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of the Treasury, transmitting copies of communication from the chairman of the Interstate Commerce Commission submitting deficiency estimates of appropriation required by the Interstate Commerce Commission (H. Doc. No. 1066); to the Committee on Appropriations and ordered to be printed.

2. A letter from the Acting Secretary of the Treasury, transmitting copy of communication from the Postmaster General submitting deficiency estimate of appropriation for the payment of indemnities, domestic mail, payable from postal revenue (H. Doc. No. 1067); to the Committee on Appropriations and ordered to be printed.

3. A letter from the Acting Secretary of the Treasury, transmitting copy of communication from the Acting Secretary of War submitting a claim for damages by river and harbor work adjusted and settled by the Chief of Engineers and approved by the Secretary of War (H. Doc. No. 1068); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. WHALEY, from the Committee on the Judiciary, to which was referred the bill (S. 2180) to approve mutual cession of territory by the States of Wisconsin and Minnesota and the consequent changes in the boundary line between said States, reported the same without amendment, accompanied by a report (No. 510), which said bill and report were referred to the House Calendar.

Mr. DIXON, from the Committee on Ways and Means, to which was referred the bill (H. R. 11243) providing for the establishment of the port of San Juan, customs district of Porto Rico, as a port of entry for immediate transportation without appraisement of dutiable merchandise, reported the same without amendment, accompanied by a report (No. 509), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. HUDDLESTON, from the Committee on Pensions, to which was referred sundry bills of the House, reported in lieu thereof the bill (H. R. 11658) granting pensions and increase of pension to certain soldiers and sailors of the Regular Army and Navy, and certain soldiers and sailors of wars other than the Civil War, and to widows of such soldiers and sailors, accompanied by a report (No. 511), which said bill and report were referred to the Private Calendar.

Mr. BESHLIN, from the Committee on Invalid Pensions, to which was referred sundry bills of the House, reported in lieu thereof the bill (H. R. 11663) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and to certain widows and dependent children of soldiers and sailors of said war, accompanied by a report (No. 512), which said bill and report were referred to the Private Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 11510) granting a pension to H. R. Dodd, and the same was referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. LITTLE: A bill (H. R. 11656) to remove all distinctions between members of the Regular Army, the National Army, and the National Guard in the service of the United States of America; to the Committee on Military Affairs.

By Mr. ROGERS: A bill (H. R. 11657) to amend an act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September 2, 1914, as amended by the act approved October 6, 1917; to the Committee on Interstate and Foreign Commerce.

By Mr. SIMS: A bill (H. R. 11659) to amend an act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September 2, 1914, as amended; to the Committee on Interstate and Foreign Commerce.

By Mr. HASKELL: A bill (H. R. 11660) to provide one-half railroad fares to "persons in military service" upon all passenger trains of the railroads and systems of transportation in the possession, use, control, and operation of the United States Government; to the Committee on Interstate and Foreign Commerce.

By Mr. MONDELL: A bill (H. R. 11661) to add certain lands to the Yellowstone National Park; to the Committee on the Public Lands.

Also, a bill (H. R. 11662) donating to the town of Thermopolis, Wyo., two brass or bronze cannon; to the Committee on Military Affairs.

By Mr. CHANDLER of Oklahoma: Resolution (H. Res. 322) requesting certain information from the Secretary of the Interior; to the Committee on Indian Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. HUDDLESTON: A bill (H. R. 11658) granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy, and certain soldiers and sailors of wars other than the Civil War, and to widows of such soldiers and sailors; to the Committee of the Whole House.

By Mr. BESHLIN: A bill (H. R. 11663) granting pensions and increase of pensions to certain soldiers and sailors of the

Civil War and certain widows and dependent children of soldiers and sailors of said war; to the Committee of the Whole House.

By Mr. ASHBROOK: A bill (H. R. 11664) granting an increase of pension to James Devall; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11665) granting an increase of pension to John Frank Uhl; to the Committee on Invalid Pensions.

By Mr. BEAKES: A bill (H. R. 11666) granting an increase of pension to Byron Wilcox; to the Committee on Invalid Pensions.

By Mr. BORLAND: A bill (H. R. 11667) for the relief of Mathilda Peddicord, wife of Henry W. Peddicord, deceased; to the Committee on War Claims.

By Mr. CRAMTON: A bill (H. R. 11668) granting an increase of pension to Hannah J. Clark; to the Committee on Pensions.

By Mr. DAVIDSON: A bill (H. R. 11669) granting an increase of pension to Lawrence Mericle; to the Committee on Invalid Pensions.

By Mr. FARR: A bill (H. R. 11670) granting a pension to A. Josephine Kinback; to the Committee on Pensions.

Also, a bill (H. R. 11671) granting an increase of pension to John J. Bowen; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11672) granting a pension to Frances Horan; to the Committee on Pensions.

By Mr. FRENCH: A bill (H. R. 11673) for the relief of John K. Ashley, jr.; to the Committee on Claims.

By Mr. GRIEST: A bill (H. R. 11674) granting an increase of pension to William D. Campbell; to the Committee on Invalid Pensions.

By Mr. HAYES: A bill (H. R. 11675) to restore Maj. Robert H. Peck, of the Regular Army, to the place in the lineal list he would have occupied had he not been separated from the service; to the Committee on Military Affairs.

By Mr. HELVERING: A bill (H. R. 11676) granting a pension to George F. Holladay; to the Committee on Pensions.

By Mr. JOHNSON of Kentucky: A bill (H. R. 11677) granting a pension to Samuel L. Lilly; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11678) granting a pension to Thomas Newton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11679) granting a pension to Addeline King; to the Committee on Invalid Pensions.

By Mr. KEATING: A bill (H. R. 11680) granting an increase of pension to Jacob Miller; to the Committee on Invalid Pensions.

By Mr. KELLEY of Michigan: A bill (H. R. 11681) granting an increase of pension to Alice A. Thorburn; to the Committee on Pensions.

By Mr. LAZARO: A bill (H. R. 11682) for the relief of the estate of Henry Ware, deceased; to the Committee on War Claims.

By Mr. MONDELL: A bill (H. R. 11683) for the relief of the William Gordon Corporation; to the Committee on Claims.

By Mr. MUDD: A bill (H. R. 11684) for the relief of John Jakes; to the Committee on Military Affairs.

By Mr. NEELY: A bill (H. R. 11685) granting an increase of pension to Samuel Davis; to the Committee on Invalid Pensions.

By Mr. OVERMYER: A bill (H. R. 11686) granting an increase of pension to George W. Hollenbank; to the Committee on Invalid Pensions.

By Mr. ROMJUE: A bill (H. R. 11687) granting an increase of pension to Myron S. Towne; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11688) granting an increase of pension to George W. Silvers; to the Committee on Invalid Pensions.

By Mr. ROUSE: A bill (H. R. 11689) for the relief of Marion Banta; to the Committee on Claims.

By Mr. SHERWOOD: A bill (H. R. 11690) granting an increase of pension to Stephen Clifford; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CARY: Memorial of the Chamber of Commerce of the United States of America relative to central control of Government war buying; to the Committee on Military Affairs.

By Mr. CRISP: Petition of Colony Post No. 14, Department of Georgia, Grand Army of the Republic, for increase of pension of Union soldiers; to the Committee on Invalid Pensions.

By Mr. ESCH: Resolution of the Chamber of Commerce of the United States relative to central control of Government war buying; to the Committee on Military Affairs.

By Mr. FULLER of Illinois: Petition of the Boot and Shoe Travelers' Association opposing the increase of second-class postage rates and the zone system; to the Committee on Ways and Means.

By Mr. GRAHAM of Illinois: Petition of the Presbytery of Monmouth, Ill., with a constituency of 30,000, because of the crying need in these critical times for conservation of food and man power, urging anew and with deepening conviction prompt action in giving the country full war prohibition by new legislative action; to the Committee on the Judiciary.

By Mr. KELLEY of Michigan: Petition of the Ladies' Unity Club, of Walled Lake, Mich., protesting against zone rate of postage on second-class mail matter; to the Committee on Ways and Means.

By Mr. LINTHICUM: Petition of Levenson & Zenitz, of Baltimore, Md., against passage of House bill 10591, relative to regulating selling on installment plan; to the Committee on the District of Columbia.

Also, memorial of the Baltimore (Md.) Chamber of Commerce, favoring exemption of the Interstate Commerce Commission from the operations of the Overman bill; to the Committee on Military Affairs.

Also, petition of the Women's Civic League of Baltimore, Md., favoring passage of House bill 6490; to the Committee on Education.

Also, petitions of P. F. Collier & Son and the Enoch Pratt Free Library, of Baltimore, Md., against the zone system for periodicals; to the Committee on Ways and Means.

Also, petition of Baltimore (Md.) Belting Co., favoring amending food-control bill to embrace other commodities, including hides and leather; to the Committee on Agriculture.

By Mr. MAGEE: Petition of the Syracuse Assistant Pressmen and Feeder's Union, No. 32, protesting against the zone system of postal rates; to the Committee on the Post Office and Post Roads.

By Mr. RANDALL: Resolution of the California Federation of Women's Clubs, in session at Oakland, Cal., and indorsed by the Friday Morning Club of Los Angeles, petitioning the President and Congress to immediately prohibit the beverage-liquor traffic as a war measure; to the Committee on the Judiciary.

By Mr. SNELL: Resolutions of the senate of the State of New York, that this legislature associates itself with the public's progressive enlightened demand for the retention and extension of the mail-tube system as a necessity of the post office and a relief to the congestion of the already overcrowded thoroughfares of our larger cities; to the Committee on the Post Office and Post Roads.

By Mr. SNYDER: Petitions favoring partial payments of war excess and profit taxes from the Ford Manufacturing Co., Waterford, N. Y.; Broder & Co., Max Greenburg & Co., New York; H. A. Meldram Co., Sinclair, Rooney & Co., the William Hengerer Co., Buffalo, N. Y.; Franklin D'Olier & Co., Notaseme Hosiery Co., Jacob Miller Sons Co., Schell, Longstreth & Co., Philadelphia, Pa.; Shaker Knitting Mills Co., Chicago, Ill.; to the Committee on Ways and Means.

By Mr. STINESS: Petition of 119 citizens of Rhode Island, favoring adequate punishment for spies and traitors in the United States; to the Committee on the Judiciary.

By Mr. TILSON: Petition of the Wallingford (Conn.) Central Labor Union, favoring the election of and recall of Federal judges by the people; to the Committee on the Judiciary.

SENATE.

THURSDAY, *April 25, 1918.*

(Legislative day of Wednesday, April 24, 1918.)

The Senate met at 12 o'clock noon.

The Vice President being absent, the President pro tempore assumed the chair.

Mr. GALLINGER. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	Jones, Wash.	Nugent
Baird	France	Kirby	Overman
Bankhead	Gallinger	Lenroot	Page
Beckham	Gerry	Lodge	Poindexter
Brandegee	Guion	McCumber	Pomerene
Chamberlain	Hale	McKellar	Ransdell
Culberson	Harding	McLean	Saulsbury
Cummins	Hardwick	McNary	Shafroth
Curtis	Henderson	Martin	Sheppard
Dillingham	Hollis	Nelson	Sherman
Fall	Johnson, Cal.	New	Smith, Ariz.
Fernald	Jones, N. Mex.	Norris	Smith, Ga.